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TRANSCRIPT

Supreme Court of the United States

OCTOBER TERM, 1928

No. 363

THE ARROW-HART & HEGEMAN ELECTRIC COMPANY, PETITIONER,

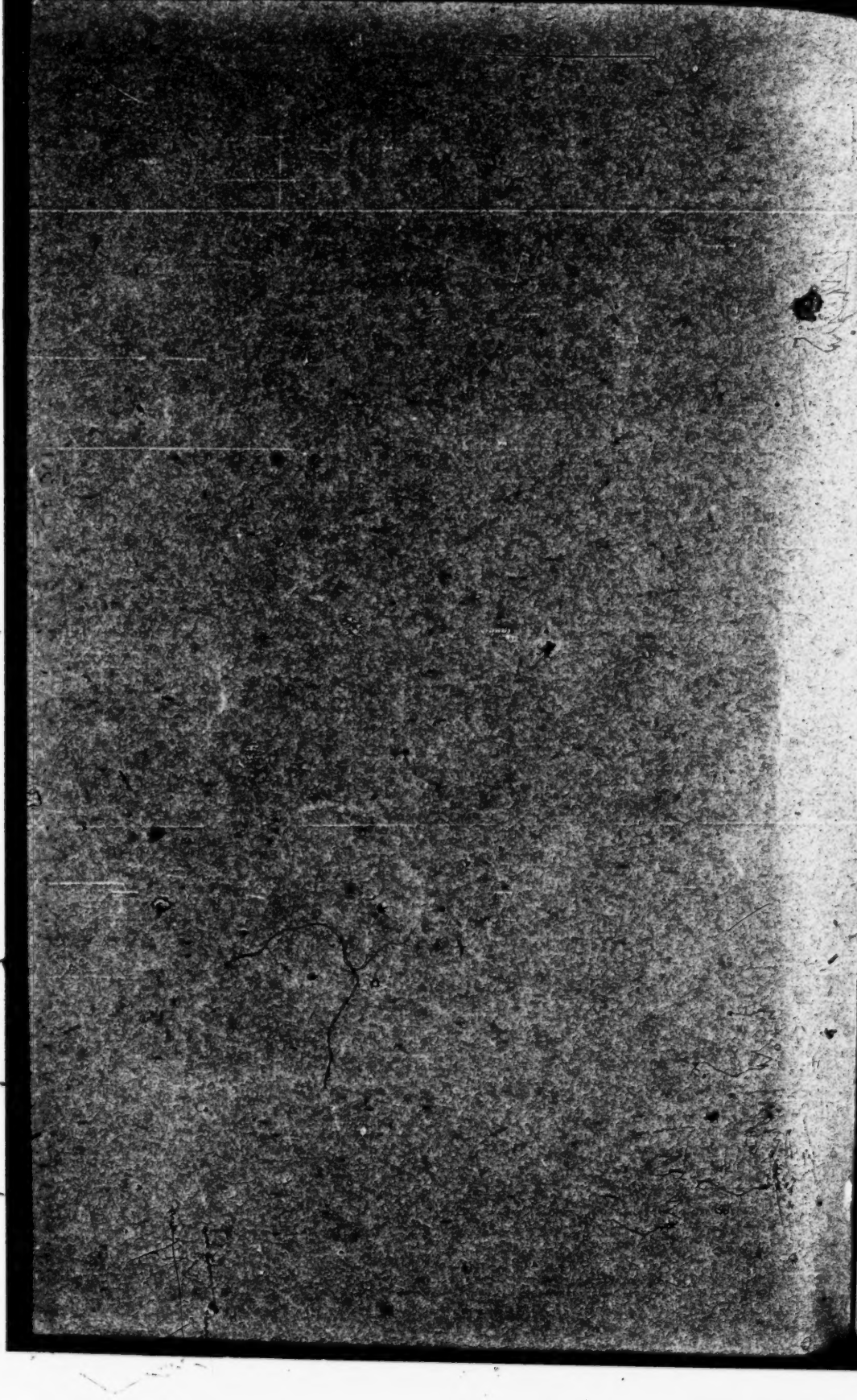
vs.

FEDERAL TRADE COMMISSION

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT

PETITION FOR CERTIORARI FILED JANUARY 28, 1929.

CERTIORARI GRANTED FEBRUARY 11, 1929.



INDEX.

	PAGE
Certificate of Secretary of Federal Trade Commission	1
Complaint	3
Order Fixing Time for Filing Answer	10
Order Extending Time for Filing Answer	11
Answer	12
Order Appointing Examiner and Fixing Time and Place for Taking Testimony	18
Motion for Issuance of Supplemental Complaint	20
Order for Issuance of Supplemental Complaint	22
Supplemental Complaint	24
Answer of Arrow-Hart & Hegeman Electric Company to Supplemental Complaint	42
Exhibit A, Annexed, Notice of Special Meeting of Stockholders	60
Exhibit B, Annexed, Outline of Plan of Reorganization	63
Exhibit C, Annexed, Call for Special Meeting of Stockholders of Arrow-Hart & Hegeman, Inc. and Minutes of Meetings.	67
Exhibit D, Annexed, Final Certificate of Dissolution	81
Exhibit E, Annexed, Call for Special Meeting of Directors of The Arrow Electric Company, and Minutes of Meetings	83
Exhibit F, Annexed, Call for Special Meeting and Minutes of The Hart & Hegeman Manufacturing Company	101
Exhibit G, Annexed, Certificate of Incorporation, By-Laws and Minutes of The Arrow Manufacturing Company	116

PAGE

Exhibit H, Annexed, Certificate of Incorporation, By-Laws and Minutes of the H & H Electric Company 158
Exhibit I, Annexed, Agreement of Consolidation 200
Exhibit J, Annexed, Secs. 3520-3524 General Statutes of the State of Connecticut 218
Exhibit K, Annexed, Letter, dated January 11, 1929 221
Substitute Order Appointing Examiner and Fixing Time and Place for Taking Testimony 223
Motion to Dismiss 225
Order Overruling Motion to Dismiss 228
Order Overruling Motion to Dismiss 229
Findings as to the Facts and Conclusion 230
Order to Divest 261
Dissent of Chairman Humphrey 264

TESTIMONY.

Commission's Witnesses:

Samuel P. Williams—
Direct 269
Cross 347
Redirect 368
Recross 378
Recalled:
Direct 560, 684, 941, 961
Cross 953, 965
Haynes L. Everest—
Direct 379
Recalled:
Direct 460, 909
Cross 477, 910
Redirect 478, 923
Recross 923

PAGE

Edward R. Grier—
Direct 414
Cross 469
Redirect 451, 459
Recross 457
Recalled:
Direct 561, 591, 678
Cross 563
Harvey C. Pond—
Direct 483
Cross 538
Redirect 546
Recross 548
Recalled:
Direct 566, 872, 903
Cross 879, 906
Redirect 896
Edward Bosworth Grier—
Direct 550
Cross 554
Rolling N. Peck—
Direct 555
John R. Cook—
Direct 557
Recalled:
Direct 750, 1030
Cross 800, 1031
John J. Keane—
Direct 568
Cross 574
Redirect 575
John M. Dalton—
Direct 576
Cross 579
D. M. Shepard—
Direct 581
Cross 584

PAGE

Miss E. M. Evans—
Direct 589
P. J. Rossiter—
Direct 594
Cross 600
William H. Grant—
Direct 604
Cross 608
R. J. McCabe—
Direct 610
Cross 614
Redirect 615
Edward Loman—
Direct 618
Cross 621
Arnold S. Colyer—
Direct 624
Cross 629
Abe Lipsky—
Direct 632
Cross 638
Redirect 640
Benjamin Golden—
Direct 641
Cross 644
Redirect 645
Recross 646
Edwin Burkheimer—
Direct 647
Cross 650
Harry J. Hornung—
Direct 651
Cross 655
Redirect 657
William Smart—
Direct 660
Cross 664

PAGE

C. M. Parr—
Direct 665
Cross 672
Redirect 673
Frederick E. Webb—
Direct 967
Cross 976
Howard Fink—
Direct 977
Cross 984
Robert W. Brown—
Direct 986
Cross 991
Redirect 993
Recross 994
Homer D. Sommer—
Direct 996
Cross 997
James J. McCoy—
Direct 999
Cross 1004
Redirect 1005
P. W. Greene—
Direct 1008
Cross 1013
Redirect 1013, 1014
Recross 1014
Charles George Yundt—
Direct 1015
Cross 1019
Redirect 1020, 1021
Recross 1020, 1021, 1023
Joseph Fink—
Direct 1024
Cross 1027
Redirect 1028
Recross 1029

Respondent's Witnesses:

	PAGE
Charles E. Wilson—	
Direct	691
Cross	708
Robert N. Eames—	
Direct	725
Cross	738
Thomas A. Inch—	
Direct	834
Cross	838
Redirect	842
Recross	845
Recalled:	
Cross	926
John W. Saladine—	
Direct	858
Cross	869, 879
George S. Stevenson—	
Direct	929
Cross	938

EXHIBITS.

Commission's:

	Marked for Identification	In Evidence
1. F. P. Furlong's letters to Samuel P. Williams, President of The Hart &. Hegeman Manufacturing Company, of August 8, 1927 and August 10, 1927 and Samuel P. Williams, reply of August 9, 1927.	272	273
2. Minutes of directors' meeting of The Hart & Hegeman Manufacturing Company of December 24, 1925		276
3. Minutes of stockholders' meeting of The Hart & Hegeman Manufacturing Company of January 13, 1926		277
4. Minutes of adjourned directors' meeting of The Hart & Hegeman Manufacturing Company of December 1, 1926		280
5. Minutes of stockholders' meeting of The Hart & Hegeman Manufacturing Company of January 12, 1927		281
6. Minutes of directors' meeting of The Hart & Hegeman Manufacturing Company of February 15, 1927		282
7. Minutes of directors' meeting of The Hart & Hegeman Manufacturing Company of July 28, 1927		284
8. Memorandum by Edward R. Grier, Vice-President of The Arrow Electric Company, out-		

	Marked for Identification	In Evidence
lining some of initial steps in formation of Arrow-Hart & Hegeman, Inc.		286
9. Memorandum by Edward R. Grier, Vice-President of The Arrow Electric Company, giving comparative statistics concerning assets and earnings of The Arrow Electric Company and The Hart & Hegeman Manufacturing Company		288
10. Original agreement between Edward R. Grier and other stockholders of The Arrow Electric Company and Samuel P. Williams and other stockholders of The Hart & Hegeman Manufacturing Company, dated August 6, 1927		288
11. Supplemental agreement between Edward R. Grier and other stockholders of the Arrow Electric Company and Samuel P. Williams and other stockholders of The Hart & Hegeman Manufacturing Company, dated October 6, 1927..		289
12. Letter of Samuel P. Williams, President of The Hart & Hegeman Manufacturing Company to H. T. Paiste, dated July 29, 1927		290
13. Letters of W. L. Urquhart of July 29, 1927 and August 2, 1927 to Samuel P. Williams, President of The Hart & Hege-		

	Marked for Identification	In Evidence
man Manufacturing Company and his reply of August 1, 1927		291
14. Letter of Samuel P. Williams, President of The Hart & Hegeman Manufacturing Company to J. Oliver Morris, dated July 30, 1927		291
15. Letter of H. T. Paiste to Samuel P. Williams, President of The Hart & Hegeman Manufacturing Company, and also letter of H. T. Paiste to Edward R. Grier, Vice-President of The Arrow Electric Company, both dated August 2, 1927		291
16. Letter of A. E. Lubeck to Samuel P. Williams, President of The Hart & Hegeman Manufacturing Company, dated August 1, 1927		292
17. Memorandum of Edward R. Grier, Vice-President of The Arrow Electric Company to Samuel P. Williams, President of The Hart & Hegeman Manufacturing Company, re economies in affiliation, dated August 11, 1927		292
18. Letter of Samuel P. Williams, President of The Hart & Hegeman Manufacturing Company, to H & H distributors, dated August 20, 1927; also letter of Edward R. Grier, Vice-President of The Arrow Electric		

		Marked for Identification	In Evidence
	Company, to Arrow distributors, dated August 25, 1927; also letter of said Edward R. Grier to said Samuel P. Williams, dated August 27, 1927.		293
19.	Minutes of directors' meeting of The Hart & Hegeman Manufacturing Company of September 19, 1927.....		294
20.	Letter of Robert C. Buell, Secretary of The Hart & Hegeman Manufacturing Company to the holders of preferred stock of said Company dated September 19, 1927.....		294
21.	Notice of Robert C. Buell, Secretary of The Hart & Hegeman Manufacturing Company to the stockholders of said Company dated September 21, 1927		295
22.	Waiver of right to subscribe to The Hart & Hegeman Manufacturing Company preferred stock by the common stockholders of said Company dated October 1, 1927.....		295
23.	Minutes of meeting of stockholders of The Hart & Hegeman Manufacturing Company of October 1, 1927		296
24.	Minutes of directors' meeting of The Hart & Hegeman Manufacturing Company of October 1, 1927		296
25.	Minutes of directors' meeting of The Hart & Hegeman Manufacturing Company of August 25, 1927		297

	Marked for Identification	In Evidence
26. Letter of Thomson, Fenn & Company, brokers, dated September 19, 1927 re issue of preferred stock of The Hart & Hegeman Manufacturing Company		297
27. Letter of Samuel P. Williams, President of The Hart & Hegeman Manufacturing Company, to the holders of the common stock of that Company dated October 3, 1927; also another letter from said Samuel P. Williams to said stockholders dated October 17, 1927		298
28. Minutes of directors' meeting of The Hart & Hegeman Manufacturing Company of October 10, 1927		298
29. Broker's circular of September 22, 1927 offering preferred stock of The Hart & Hegeman Manufacturing Company for sale		299
30. Broker's circular of October 11, 1927 offering stock of Arrow-Hart & Hegeman, Inc. for sale		299
31. Certificate of incorporation of Arrow-Hart & Hegeman, Inc.		302
32. Certificate of organization of Arrow-Hart & Hegeman, Inc.		302
33. Minutes of first meeting of incorporators and subscribers of of Arrow-Hart & Hegeman, Inc.		303
34. Minutes of first meeting of Board of Directors of Arrow-		

	Marked for Identification	In Evidence
Hart & Hegeman, Inc. of October 6, 1927		304
35. Minutes of stockholders' meeting of Arrow-Hart & Hegeman, Inc. of October 6, 1927.		304
36. Minutes of directors' meeting of Arrow-Hart & Hegeman, Inc. of October 10, 1927		305
37. Minutes of stockholders' meeting of Arrow-Hart & Hegeman, Inc. of October 10, 1927.		305
38. List of original common stockholders of Arrow-Hart & Hegeman, Inc. as of October 6-10, 1927		306
39. Minutes of directors' meeting of Arrow-Hart & Hegeman, Inc. of January 5, 1928		309
40. Classification of wiring devices by schedules		311
41. Subscriptions to capital stock of Arrow-Hart & Hegeman, Inc. of October 10, 1927		317
42. Draft of notice for newspapers of dissolution of Arrow-Hart & Hegeman, Inc. dated November 9, 1928 and newspaper clippings concerning the proposed dissolution		318
43. Minutes of directors' meeting of Arrow-Hart & Hegeman, Inc. of November 10, 1928		318
44. Letter of Edward R. Grier, President, and Samuel P. Williams, Vice-President of Arrow-Hart & Hegeman, Inc., to the stockholders of that Com-		

		Marked for Identification	In Evidence
	pany dated November 10, 1928, announcing its proposed dissolution; also notice dated November 10, 1928 of special meeting of the stockholders of said Arrow-Hart & Hegeman, Inc. to be held on December 10, 1928 for the purpose of voting to dissolve said corporation; also proxy and consent with reference thereto.....		319
45.	Minutes of directors' meeting of Arrow-Hart & Hegeman, Inc. held November 30, 1928.....		319
46.	Letter of Edward R. Grier, President, and Samuel P. Williams, Vice-President of Arrow-Hart & Hegeman, Inc., dated December 1, 1928 to stockholders of Arrow-Hart & Hegeman, Inc. outlining plan of reorganization; also notice of special meeting of stockholders of said Company to be held December 6, 1928; also power of attorney, consent and proxy with reference thereto.		320
47.	Minutes of directors' meeting of The Hart & Hegeman Manufacturing Company held on December 11, 1928; also call with respect thereto.....	322	414
48.	Minutes of stockholders' meeting of Arrow-Hart & Hegeman, Inc. held December 6, 1928..	323	414
49.	Minutes of stockholders' meeting of Arrow-Hart & Hegeman, Inc. held December 10, 1928..	323	414

	Marked for Identification	In Evidence
50. Non-negotiable receipt of Phoenix State Bank and Trust Company, Transfer Agent, dated December 7, 1928.....	324	414
51. Consolidation or merger agreement between The Arrow Electric Company The Hart & Hegeman Manufacturing Company, The Arrow Manufacturing Company and The H & H Electric Company	325	414
52. Letter of Edward R. Grier, President of The Arrow Electric Company, and Samuel P. Williams, President of The Hart & Hegeman Manufacturing Company, dated December 11, 1928 to the preferred stockholders of said two companies, announcing plan to form The Arrow-Hart & Hegeman Electric Company through merger	327	414
53. Notice to preferred and common stockholders of The Hart & Hegeman Manufacturing Company of special meeting to be held on December 31, 1928 for the purpose of acting upon the proposed merger; also proxy in connection therewith	327	414
54. Notice to preferred and common stockholders of The Arrow Electric Company of special meeting to be held on December 31, 1928 for the purpose of acting upon the proposed merger; also proxy in connection therewith	328	414

	Marked for Identification	In Evidence
55. Notice to stockholders of The Arrow Manufacturing Company of special meeting to be held on December 31, 1928 for the purpose of acting upon the proposed merger; also notice to stockholders of The H & H Electric Company of special meeting to be held on December 31, 1928 for the purpose of acting upon the proposed merger	329	414
56. Minutes of stockholders' meeting of The Hart & Hegeman Manufacturing Company held December 31, 1928	329	414
57. Preliminary certificate of dissolution of Arrow-Hart & Hegeman, Inc., dated December 10, 1928		330
58. Final certificate of dissolution of Arrow-Hart & Hegeman, Inc., dated April 11, 1929....		330
59. Minutes of liquidation meeting of the trustees of Arrow-Hart & Hegeman, Inc. held April 11, 1929		331
60. Waiver of directors' meeting of The Arrow-Hart & Hegeman Electric Company, dated January 1, 1929; also letter to Mr. Arthur P. Day by Mr. Samuel P. Williams, President of The Hart & Hegeman Manufacturing Company, dated December 26, 1928 in connection therewith; also informal notice by		

		Marked for Identification	In Evidence
	said Samuel P. Williams in connection therewith	333	414
61.	Letter, dated January 28, 1929 from Edward R. Grier, President of The Arrow-Hart & Hegeman Electric Company to the stockholders of said Company; also letter by Samuel P. Williams, dated January 1, 1929 to Mr. Arthur P. Day	333	414
62.	Minutes of directors' meeting of The Arrow-Hart & Hegeman Electric Company held January 1, 1929	334	414
63.	By-laws of The Arrow-Hart & Hegeman Electric Company adopted January 28, 1929; also minutes of stockholders' meeting of said Company held January 28, 1929	335	414
64.	Minutes of directors' meeting of The Arrow-Hart & Hegeman Electric Company held January 28, 1929	335	414
65.	List of common stockholders of Arrow-Hart & Hegeman, Inc. at the close of business, November 30, 1928.....		336
66.	Rubber stamp for cancelling Arrow-Hart & Hegeman, Inc. stock certificates		337
67.	Catalogue "S" of The Hart & Hegeman Manufacturing Company issued in 1926	344	344
68.	List of the preferred stockholders of The Hart & Hege-		

	Marked for Identification	In Evidence
man Manufacturing Company as of October 10, 1927.....		344
69. List of the preferred stockholders of The Arrow Electric Company as of October 10, 1927		345
70. List of the preferred stockholders of The Hart & Hegeman Manufacturing Company as of December 31, 1928		345
71. List of the preferred stockholders of The Arrow Electric Company as of December 31, 1928		346
72. The Arrow Electric Company's catalogue No. 21 published in 1925		416
73. The Arrow Electric Company's heater switch catalogue No. 4 published in April 1927....		417
74. Minutes of the Board of Directors of The Arrow Electric Company held December 20, 1927 and call therefor.....		423
75. Minutes of directors' meeting of The Arrow Electric Company held March 20, 1928 and call therefor		424
76. Minutes of directors' meeting of The Arrow Electric Company held December 11, 1928.....		429
77. Minutes of stockholders' meeting of The Arrow Electric Company held December 31, 1928.		429
78. Informal notice of unofficial meeting of prospective directors of The Arrow-Hart &		

		Marked for Identification	In Evidence
	Hegeman Electric Company dated December 26, 1928, said meeting to be held January 1, 1929		429
79.	Letter of Edward R. Grier, President of The Arrow-Hart & Hegeman Electric Company dated January 1, 1929 to the stockholders of The Arrow Manufacturing Company and The H & H Electric Company		430
80.	Letter of Edward R. Grier, President of The Arrow-Hart & Hegeman Electric Company dated January 1, 1929 to the preferred stockholders of The Arrow Electric Company and of The Hart & Hegeman Manufacturing Company		430
81.	Catalogue No. 21 of the Arrow Division of The Arrow-Hart & Hegeman Electric Company published in November 1929.		438
82.	Catalogue of the Hart & Hegeman Division of The Arrow-Hart & Hegeman Electric Company published in November 1929		438
83.	Numbered list, Pacific Coast Jobber Sales of The Hart & Hegeman Manufacturing Company and the Hart & Hegeman Division of The Arrow-Hart & Hegeman Electric Company..		473
84.	Numbered list, Chicago Jobber Sales of The Hart & Hegeman Manufacturing Company and		

		Marked for Identification	In Evidence
	the Hart & Hegeman Division of The Arrow-Hart & Hegeman Electric Company.....		474
85.	Numbered list, Baltimore Jobber Sales of The Hart & Hegeman Manufacturing Company and the Hart & Hegeman Division of The Arrow-Hart & Hegeman Electric Company..		475
86.	Numbered list, New York Jobber Sales of The Hart & Hegeman Manufacturing Company and the Hart & Hegeman Division of the Arrow-Hart & Hegeman Electric Company..		475
87.	Numbered list, New England Jobber Sales of The Hart & Hegeman Manufacturing Company and the Hart & Hegeman Division of The Arrow-Hart & Hegeman Electric Company		475
88.	Catalogue No. 22 of The Arrow Electric Company in effect October 1927		484
89.	Numbered list, New England Jobber Sales of The Arrow Electric Company and the Arrow Division of The Arrow-Hart & Hegeman Electric Company		509
90.	Numbered list, New York Jobber Sales of The Arrow Electric Company and the Arrow Division of The Arrow-Hart & Hegeman Electric Company..		517

	Marked for Identification	In Evidence
91. Numbered list, Baltimore Jobber Sales of The Arrow Electric Company and the Arrow Division of The Arrow-Hart & Hegeman Electric Company		520
92. Numbered list, Chicago Jobber Sales of The Arrow Electric Company and the Arrow Division of The Arrow-Hart & Hegeman Electric Company.		528
93. Numbered list, Pacific Coast Jobber Sales of The Arrow Electric Company and the Arrow Division of The Arrow-Hart & Hegeman Electric Company		531
94. Comparative catalogue numbers published by The Arrow-Hart & Hegeman Electric Company		537
95. The Arrow Electric Company's catalogue of heater switches No. 5 in effect in June 1928....		543
96. List of original common stockholders of The Arrow-Hart & Hegeman Electric Company as of January 1, 1929.....		567
97. Rubber stamp for non-negotiable receipt to be used on Arrow-Hart & Hegeman, Inc. stock certificates		590
98. Form of Proxy dated in July 1927 from stockholder of The Arrow Electric Company to Edward R. Grier, Vice-President of said Company et al...		592

	Marked for Identification	In Evidence
99. Statement of heater switch sales by The Arrow Electric Company for the years 1924 to 1930, both inclusive.....		593
100. Envelope upon which was printed "Return to Hart & Hegeman Division, 3201 Arch St. Philadelphia"		1002
Respondents':		
1. Sample of electrical wiring devices		763
2. Sample of electrical wiring devices		764
3. Sample of electrical wiring devices		764
4-A. Sample of electrical wiring devices		764
4-B. Sample of electrical wiring devices		765
5. Sample of electrical wiring devices		768
6. Sample of electrical wiring devices		768
7. Sample of electrical wiring devices		768
8. Sample of electrical wiring devices		770
9. Sample of electrical wiring devices		770
10. Sample of electrical wiring devices		770
11A. Sample of electrical wiring devices		771
11-B. Sample of electrical wiring devices		771

	Marked for Identification	In Evidence
12-A. Sample of electrical wiring devices		772
12-B. Sample of electrical wiring devices		772
13-A. Sample of electrical wiring devices		774
13-B. Sample of electrical wiring devices		774
14-A. Sample of electrical wiring devices		774
14-B. Sample of electrical wiring devices		774
15-A. Sample of electrical wiring devices		775
15-B. Sample of electrical wiring devices		775
16-A. Sample of electrical wiring devices		776
16-B. Sample of electrical wiring devices		776
17-A. Sample of electrical wiring devices		777
17-B. Sample of electrical wiring devices		777
18-A. Sample of electrical wiring devices.		777
18-B. Sample of electrical wiring devices.		777
19-A. Sample of electrical wiring devices		778
19-B. Sample of electrical wiring devices		778
20-A. Sample of electrical wiring devices		779
20-B. Sample of electrical wiring devices		779

	Marked for Identification	In Evidence
21. Sample of electrical wiring devices		779
22-A. Sample of electrical wiring devices		780
22-B. Sample of electrical wiring devices		781
22-C. Sample of electrical wiring devices		782
23-A. Sample of electrical wiring devices		782
23-B. Sample of electrical wiring devices		782
24-A. Sample of electrical wiring devices		783
24-B. Sample of electrical wiring devices		783
25-A. Sample of electrical wiring devices		784
25-B. Sample of electrical wiring devices		784
26-A. Sample of electrical wiring devices		785
26-B. Sample of electrical wiring devices		785
26-C. Sample of electrical wiring devices		785
27-A. Sample of electrical wiring devices		786
27-B. Sample of electrical wiring devices		786
28. Sample of electrical wiring devices		787
29. Complete corporate record of The H & H Electric Company	799	800
30. Complete corporate record of The Arrow Manufacturing Company	878	879

	Marked for Identification	In Evidence
31. List showing eight Arrow jobbers partly lost to Hart & Hegeman, 1928-9		909
32. Complete corporate record of Arrow-Hart & Hegeman, Inc.	941	942
33. Letter to Edward R. Grier, Vice-President of The Arrow Electric Company, dated November 22, 1928 from Robert H. Montgomery		945
34. Letter from Colonel William J. Donovan, Assistant Attorney General of the United States, to Arthur L. Shipman, dated October 16, 1928		948
35. Letter from Arthur L. Shipman, dated October 15, 1928 to Colonel William J. Donovan, Assistant Attorney General of the United States		948
36. Letter of Edward R. Grier, Vice-President of The Arrow Electric Company, to Millard E. Hudson, dated December 12, 1927		950
37. Letter of counsel for The Arrow-Hart & Hegeman Electric Company, dated January 11, 1929 to the Federal Trade Commission		950
38. Copy of sections 3520-3524 of the General Statutes of the State of Connecticut, Revision of 1918		952

	Page
Proceedings in United States circuit court of appeals, second circuit	1034
Petition to review and set aside order	1034
Notice of motion for order directing respondent to amplify record	1050
Motion for order directing respondent to amplify record	1051
Notice of motion to strike	1054
Motion to strike from petition for review	1054
Opinion per curiam on motions	1056
Order granting motion to strike	1058
Order denying motion to amplify	1059
Opinion, Manton, J	1060
Judgment	1068
Clerk's certificate	1068
Order allowing certiorari	1069

Q. Did you sell direct to any manufacturers in that territory? A. We did.

Q. What items? A. An adaptation of a through cord switch.

Q. District No. 5? A. That comprises Buffalo and the immediate vicinity. Lloyd A. Woolley, Inc., Buffalo, not a common customer and continued sales.

Q. District No. 6? A. That takes in Rochester. Requa Electrical Supply Co., Rochester, a common customer and continued sales.

Electric Supply Sales Co., Rochester, not a common customer and continued sales. 1538

Q. Did you sell to any manufacturer in that territory? A. We did.

Q. What item? A. Can I consult on that with the man who had more to do with it than I did?

Q. Certainly.

(Discussion off the record.)

A. Attachment plugs and push and pull switches, which are described in the Arrow catalogue.

Q. District No. 7? A. That takes in Syracuse and the surrounding towns. Baldwin Hall Co., Syracuse, not a common customer and continued sales. 1539

H. J. Gorke, not a common customer and continued sales.

Q. Did you make any sales to Crouss-Hinds in that territory? A. Yes, standard catalogue items for their fittings.

Q. That concern was a common customer? A. Yes.

Q. District No. 8? A. That takes in Utica and vicinity. The Miller Electric Co., Utica, not a common customer and continued sales.

1540 *Harvey C. Pond—Direct.*

Q. You sold to other distributors, but they were rather small sales, is that correct? A. We sold to one other.

Q. Did you make any sales direct to manufacturers in that territory? A. We did.

Q. What items? A. An adaptation of a socket for use in an electric fan; attachment plugs, heater switches.

Q. District No. 9? A. New Jersey.

Q. The principal customers? A. Eastern Electric Supply Co., Newark; a common customer and
1541 continued but constantly fading out sales.

Q. Just a few sales in 1930? A. Yes.

Q. Just a few sales in 1929? A. Yes.

Star Electrical Co., Newark; not a common customer and continued sales.

Dean Electric Co., Morristown; not a common customer and continued sales.

Rutkin Electric Supply Co., Long Branch; not a common customer and continued sales.

Newark Light Co., Newark; not a common customer and continued sales.

Q. Just a moment, on that Newark. The sales gradually diminished, until in 1929 and 1930 they
1542 were rather small? A. That is true.

Monarch Electrical Supply Co., Newark; a common customer and continued, but very much diminished sales.

Q. Power Electric Co., Newark. A. A common customer, but diminishing sales.

Q. New Jersey Electric Supply Co. A. New Jersey Electric Supply Co.; a common customer and continued but diminishing sales.

Q. Did you make any sales to manufacturers direct in that territory in 1927? A. No.

Q. District No. 10? A. District No. 10 was Philadelphia—eastern Pennsylvania and Delaware.

Q. Atlantic City? A. And Atlantic City, N. J.

Philip Cass & Co., Philadelphia, not a common customer and continued sales.

Garrett Miller & Co., Wilmington, Del.; a common customer and continued sales.

Q. John Y. Parke Co., Philadelphia? A. A common customer, and continued sales.

Royal Electric Supply Co., Philadelphia; a common customer and continued sales.

Q. Did you make some sales to the Rumsey Electric Co. in Philadelphia? A. Yes. A common customer and continued sales. 1544

Q. Also to Walker & Kepler? A. Yes. A common customer and continued sales.

Q. District No. 11? A. That takes in western Pennsylvania and West Virginia.

Doubleday-Hill Electric Co., Pittsburgh; a common customer and continued sales.

The Front Co., Wheeling, W. Va.; a common customer and continued sales.

Pittsburgh Electric & Manufacturing Company; a common customer and continued sales.

Keps Electric Supply Co., Pittsburgh; a common customer and continued sales. 1545

Q. Did you make any sales to the Iron City Electric Co. in Pittsburgh? A. We did, but very small. They were a common customer and we continued sales.

Q. How about the Incandescent Supply Co.? A. Incandescent Supply Co., Pittsburgh, yes. Not a common customer and continued sales.

Q. The Price Electric Co.? A. The Price Electric Company; a common customer, but diminishing sales.

Q. Diminishing particularly in 1930? A. Yes, they went to Hart & Hegeman chiefly.

Q. Will you state why you discontinued to sell them? A. They got into a disagreement with our New York manager on a price concession.

Q. District No. 12? A. That comprises the coal mining parts of Pennsylvania—Scranton and Wilkes-Barre.

Thom Berg Electric Supply Co., Wilkes-Barre; a common customer and continued but diminishing sales.

1547 Jere Wandring & Co., Hazleton, Pennsylvania; not a common customer and continued sales.

Scranton Electric Supply Co., Scranton, Pennsylvania; not a common customer, and continued sales.

Q. District No. 13? A. That comprises the central part of Pennsylvania; Harrisburg, Lancaster and Allentown.

Coleman Electric Co., Allentown; not a common customer, and continued sales.

Camarkley Electric Supply Co., Harrisburg, Penna.; not a common customer and continued sales.

Q. District No. 14? A. No. 14, that takes in

1548 Erie, Pa.

Star Electrical Co.; a common customer and continued sales.

Q. District No. 15? A. That is West Virginia. Only one here that amounts to anything.

E. Hawkins Hardware Co., Huntington, W. Va.; not a common customer and continued sales.

Q. Did you sell to any manufacturers in that territory? A. We did.

Q. What item? A. Heater switches.

Q. Will you state the total volume of sales in the New York territory for the period 1926 to 1930, inclusive? A. 1926, $1,107,680.

1927, $957,372.

1928, $855,736.

1920, $884,674.

1930, $720,827.

Q. I show you a tabulation of sales to individual customers by schedules by the Arrow Electric Division in the New York territory for the years 1926 to 1930, inclusive, and ask you whether or not the tabulations contained therein correctly state the 1550
distribution of sales to the customers indicated by number as indicated by the schedule letters thereon? A. With the assumption that they were taken from our records, I do.

Examiner Reeves: This document, consisting of four pages, is received in evidence as Commissioner's Exhibit Number 90.

(The document was thereupon received in evidence and marked "Commission's Exhibit Number 90.")

Q. How many districts has your Baltimore territory? A. 8 districts. 1551

Q. District No. 1 comprises what? A. You are still talking of 1927?

Q. 1927, yes. A. District No. 1 took in Maryland.

Q. Who were your leading distributors? A. Baltimore Electric Supply Co., Baltimore; a common customer and continued sales.

Atlantic Electric Supply Co., Baltimore; not a common customer and continued sales.

1552 *Harvey C. Pond—Direct.*

The Carroll Electric Co., Baltimore; not a common customer and continued but diminishing sales, because they dropped that branch office. Now they have sold out to the Graybar Co. at Washington.

Q. District No. 2? A. District No. 2 takes in Washington, D. C.

Doubleday-Hill Electric Co.; a common customer and continued but diminishing sales.

National Electrical Supply Co.; a common customer and continued but diminishing sales.

Q. Do you know why the National Electrical
1553 Supply Co. has diminished? A. They were G. E. jobbers, and principally due to the pressure from the General Electric Co. they discontinued handling our line.

Q. Are they handling the G. E. line? A. Practically exclusively.

Q. Do they stock your goods now? A. No. They may have some in stock, but they are not buying any.

Q. District No. 3. A. District No. 3 takes in Richmond and vicinity.

Tower Brinford Electric & Manufacturing Co., Richmond; a common customer and continued sales.

1554 Q. District No. 4? A. District No. 4 takes in Norfolk and vicinity.

Q. Also Bristol? A. Yes, also Bristol.

Q. Roanoke? A. Bristol and Roanoke also, yes.

Atlantic Electric Co.; a common customer and continued sales.

Woodhouse Electric Co.; a common customer and continued sales.

Mr. Gross: Both in Norfolk?

The Witness: Both in Norfolk.

Q. District No. 5? A. The Woodhouse Electric business fell off because the Bryant Electric Co. made them better terms, and we would not meet them.

Q. How did you usually sell on that? A. At flat net prices.

Q. And the Bryant Company made better terms in credit? A. Yes.

Q. District No. 5? A. That takes in North Carolina.

Q. Who were your principal distributors? A. Caroline State Electric Company; a common customer and continued but diminishing sales, Charlotte, N. C. 1556

The Piedmont Electric Co., Ashville, N. C.

I am not sure whether that Carolina State was a common customer. It was taken over by this other concern later on. The Piedmont Electric Co. was not a common customer and there were continued but diminishing sales, because they went out of business,—failed.

Graybar Electric Co., Charlotte; a common customer and continued but diminishing sales.

Q. District No. 6? A. District No. 6 takes in South Carolina.

Mann Electrical Supply Co., Columbia, S. C.; not a common customer and continued sales; sales diminishing, also on account of credit conditions. 1557

Montgomery & Crawford, Spartanburg, S. C.; not a common customer and continued sales.

Q. Carolina Electric Supply Co.? A. Yes, I think they are in Charleston; not a common customer and continued but diminishing sales. They are out of business.

Q. District No. 7? A. Fulton Electric Co., Atlanta; a common customer and continued sales.

1558 *Harvey C. Pond—Direct.*

Graybar Electric Co., Atlanta; a common customer and continued but diminishing sales.

Southern Electric Supply Co., Atlanta; not a common customer and continued sales.

Q. Did you sell anything direct to manufacturers in that territory? A. We did; heater switches.

Q. District No. 8? A. District No. 8 takes in Florida. Jacksonville Electric Supply Co., Jacksonville, Florida; not a common customer and continued sales.

Knight & Wall Co., Tampa; not a common cus-
1559 tomer and continued sales.

Robertson Supply Co., Orlando, Florida; a common customer and continued sales.

Q. Will you state the total volume of sales annually in the Baltimore territory, which you have just covered, for the years 1926 to 1930, inclusive? A. 1926, $240,517; 1927, $140,751; 1928, $125,929; 1929, $102,208; 1930, $83,650.

Q. I show you a tabulation of sales to selected customers by schedules of the Arrow Electric Division in the Baltimore district in the years 1926 to 1930, and ask you whether or not this correctly states the distribution of products sold by the Ar-
1560 row Electric Co. according to the schedules indicated during those years, and to the customers whose names do not appear but are represented by numbers? A. On the assumption that they came from our records, I do.

Mr. Haycraft: I offer it in evidence.

Examiner Reeves: This tabulation, consisting of two pages, will be received in evidence as Commission's Exhibit No. 91.

(The document was thereupon received in evidence and marked "Commission's Exhibit No. 91".)

1561

Q. Into how many districts is the Chicago territory divided? A. 26.

Q. District No. 1 includes what? A. Alabama.

Q. Go on with your answer, please. A. And Louisiana.

Interstate Electric Co., New Orleans; a common customer and continued sales.

Interstate Electric Co., Shreveport; a common customer and continued sales.

Interstate Electric Co., Birmingham; not a common customer and continued sales up to 1930, when I think the branch was discontinued.

1562

Q. District Nos. 2 and 3? A. District Nos. 2 and 3 take in Colorado, New Mexico, Utah, Montana, Idaho.

Central Electric Supply Co., Denver, Colorado; not a common customer and continued sales.

B. C. Wattson, Denver; a common customer and continued sales.

United Electric Supply Co., Salt Lake City, Utah; not a common customer and continued sales.

Q. District No. 4? A. District No. 4 includes Chicago and vicinity.

Q. Proceed. A. Dealers and Jobbers Electric Supply Co., Chicago; not a common customer and continued sales, though diminishing.

1563

Q. Entirely out in 1930? A. Entirely out in 1930.

Englewood Electrical Supply Company; a common customer and continued sales.

Hawkins Electric Company; a common customer and continued sales.

Hyland Electric Supply Company; a common customer and continued sales. All those are in Chicago.

Metropolitan Electrical Supply Co., Chicago; a common customer and continued sales.

1564 *Harvey C. Pond—Direct.*

Otto Reiman, Chicago; not a common customer and continued but diminishing sales.

Effengee Electric Supply Co., Chicago; a common customer and continued sales.

Triangle Electric Co., Chicago; a common customer and continued sales.

Harry Alter Co., not a common customer and continued sales. The name was later changed to the Harrison Wholesale Company.

Peerless Light Company; not a common customer and continued sales, although they faded out in
1565 1928,—failed.

Q. The Graybar Electric Co. Did you sell to that firm substantially in 1927? A. Graybar Electric Co., a fair volume; a common customer and continued sales.

Bright Light Co., Chicago; not a common customer and continued sales.

Q. Ropke Electric Company? A. Ropke Electric Company; not a common customer and continued but diminishing sales.

Q. Did you make any sales direct to manufacturers in Chicago in 1927? If so, what devices? A. Yes. Standard catalogue material; manufacturers'
1566 fittings, corresponding to Crouss-Hinds; attachment plugs and heater switches.

Q. District No. 5? A. Illinois outside of Chicago. Danville Electric Supply Co., Danville, Ill.; a common customer and continued sales.

Universal Electric Co., Peoria; not a common customer and continued sales.

Resco Electric Supply Company; continued, but diminishing sales. I don't know where they are.

Q. Did you sell anything direct to manufacturers in that territory in 1927? A. Yes.

Q. What items? A. Heater switches.

1567

Q. District No. 6? A. Indiana. Advance Electric Co., Terre Haute; not a common customer and continued sales.

Protective Electric Supply Co., Fort Wayne; a common customer and continued sales.

Van Camp Hardware & Iron Co.; not a common customer and continued sales.

Goshen Electric Material Co., Goshen, Ind.; no further sales; not a common customer.

Q. Do you know why? A. I don't.

Q. Did you sell direct to any manufacturers in that territory during that year? A. Yes. Attachment plugs and heater switches.

1568

Q. Districts Nos. 7 and 8? A. Iowa. House of Downing; not a common customer and continued but diminishing sales, Des Moines, Iowa. I think they were taken over by Westinghouse.

Crescent Electric Supply Co., Dubuque, Iowa; not a common customer and continued sales.

Waterloo Electric Supply Co., Waterloo, Iowa; not a common customer and no further sales. I don't know why.

Q. District No. 9? A. That takes in Missouri, outside of St. Louis, Kansas, and Oklahoma.

Belden Electrical Supply Co., Joplin, Mo.; a common customer and continued but diminishing sales.

1569

Missouri Valley Electric Co., Kansas City, Mo.; continued sales, but not a common customer.

United Electric Supply Co., Wichita, Kansas; not a common customer and continued sales.

Huntzicker Bros., Oklahoma City, Oklahoma; not a common customer and continued sales.

Q. District No. 10? A. St. Louis. Brown & Hall Supply Co.; not a common customer and continued sales.

1570 *Harvey C. Pond—Direct.*

Glasgow Electric Co.; not a common customer and continued sales.

United Electric Supply Co.; not a common customer and continued sales.

Lance Electric Supply Co.; a common customer and continued sales.

Q. Were there any sales made direct to manufacturers in St. Louis in 1927? A. Yes. Standard Ceiling Pull Switch for use in fans.

Q. District No. 11? A. District No. 11 takes in Kentucky, and I think the southern part of Indiana.

1571 Belknap Hardware & Manufacturing Co., Louisville, Kentucky; not a common customer and continued sales.

Q. District No. 12? A. Detroit, Mich. and Pontiac.

Cadillac Electric Supply Company; not a common customer and continued sales. Detroit.

Lake States General Electric Supply Co., Detroit; not a common customer and continued but diminishing sales. They were bought out by the General Electric Co.

Michigan Chandelier Co., Detroit; not a common customer and continued sales.

1572 H. M. Hawkins Electric Supply Co.; not a common customer and continued sales.

Victor Electric Supply Co., Detroit; not a common customer and no further sales.

Q. Do you know why? A. I think they sold out.

Q. Did you make any sales in 1927 to the Henry Walker Co. in Detroit? A. We did; a common customer and continued but diminishing sales. That was due to our sales policy in putting on two or three others, which they did not approve of.

Q. District No. 13? A. Michigan outside of Detroit and Pontiac.

Q. Capitol Electric Supply Co.? A. Capitol Electric Supply Co.; a common customer and continued sales.

Schmerheim Electric Co., Saginaw; not a common customer and continued sales.

Ackerman Electric Supply Co., Grand Rapids; not a common customer and continued sales.

Q. Districts Nos. 14, 15 and 16? A. Minnesota.

Kelley Howe Thompson & Co., Duluth; not a common customer and continued sales.

Ensign Electric Co., Minneapolis; not a common customer and continued sales.

Northland Electric Supply Co., Minneapolis; not 1574
a common customer and continued sales.

Janney-Semple-Hill & Co., Minneapolis; not a common customer and continued sales.

Price Electric Co., St. Paul; not a common customer and continued sales.

Q. District No. 17? A. Nebraska. Enterprise Electric Co., Lincoln; not a common customer and continued sales.

Grander Electric Co., Omaha; not a common customer and continued sales.

Paxton & Gallagher, Omaha; not a common customer and continued sales.

Q. District No. 18? A. Cincinnati and vicinity. 1575

Johnson Electric Supply Co., Cincinnati; not a common customer and continued but diminishing sales.

Schuster Electric Co., Cincinnati; not a common customer and continued sales.

Q. District No. 19? A. District No. 19 consists of that part of Ohio around Dayton and Columbus.

McCleary Carpenter Electric Co., Columbus; not a common customer and continued sales.

Q. Did you sell direct to any manufacturers in that territory? A. We did. Heater switches.

Q. District No. 20? A. Cleveland and adjacent to Cleveland.

The Frankelite Co., Cleveland; not a common customer and continued sales.

Q. Did you sell direct to any manufacturers in that territory? A. We did. Hot plate switches.

Q. Did you sell to some other jobbing accounts also? A. Yes.

Q. To the George Worthington Company? A. We did. A common customer and continued sales.

Q. District No. 21? A. Toledo. Bostwick Braun
1577 Co., a common customer and continued sales.

Commercial Electric Supply Co., Toledo; not a common customer and continued sales.

Q. Any direct sales to manufacturers? A. Yes; heater switches.

Q. District No. 22? A. District No. 22 takes in, I would say, the southeastern part of Ohio.

The Electric Sales Co., Canton, Ohio; not a common customer and continued sales.

The Hood Electric Co., Youngstown, Ohio; not a common customer and continued sales.

The Sacks Electric Supply Co., Akron; not a common customer and continued sales.

1578 Q. Did you sell anything direct to manufacturers in that territory during 1927? A. Yes; heater switches.

Q. District No. 23? A. South and North Dakota.

Tri-State Electric Co., Sioux Falls, S. D., not a common customer and continued and increasing sales.

Q. District No. 24? A. Tennessee.

Herbirck & Lawrence, Nashville, Tenn.; not a common customer and continued sales.

C. M. McClung & Co., Knoxville; not a common customer and continued sales.

1579

Q. District No. 25? A. No. 25 takes in Texas.

Smith-Perry Electric Co., Dallas; a common customer and continued and increasing sales.

Waco Electric Supply Co., Waco, Texas; not a common customer and continued sales.

Economy Electrical Supply Co., Fort Worth, Texas; not a common customer and continued sales.

Roberts Empire Electric Supply Co., Houston, Texas; a common customer and continued sales.

Southern Equipment Co., San Antonio, Texas; a common customer and continued sales.

Q. District No. 26? A. Wisconsin.

1580

Boggin Johnson Electric Co.; not a common customer and continued sales, Milwaukee.

August H. Meyer; Oshkosh; not a common customer and continued sales.

Murphy Supply Co., Green Bay, Wisconsin; not a common customer and continued and increasing sales.

Q. Now, will you state for the record the total volume of sales in the Chicago territory which you have just covered in the years 1926 to 1930, inclusive. A. 1926, $1,524,220.

1927, $1,392,503.

1928, $1,346,384.

1929, $1,374,944.

1581

1930, $1,006,280.

Q. I show you a tabulation of sales to selected customers by schedules in the Chicago territory of the Arrow Electric Co. for the years 1926 to 1930, inclusive, and ask you whether or not this correctly states the division of sales to the customers indicated by number thereon? A. On the assumption that it is taken from our records. I do.

1582 *Harvey C. Pond—Direct.*

Mr. Haycraft: I offer it in evidence.

Examiner Reeves: This tabulation, consisting of ten pages, is received in evidence as Commission's Exhibit No. 92.

(The document was thereupon received in evidence and marked "Commission's Exhibit No. 92.")

Q. How many districts is the San Francisco territory divided into, including Honolulu? A. Seven.

Q. District No. 1? A. Northern California.

1583 Q. Go ahead. A. California Electric Supply Co.; not a common customer and continued sales. That is in San Francisco.

C. H. Carter Co., Sacramento; not a common customer and continued sales.

Gilson's, Ltd., Oakland; not a common customer and continued sales.

Incandescent Supply Co., San Francisco; not a common customer and continued but diminishing sales.

Service Electric Supply Co., San Jose; not a common customer and continued sales.

Y. & B. Jones, San Francisco; no further sales and not a common customer.

1584

Thomson Diggs Co., Sacramento; not a common customer and continued sales.

Guilberts Wholesale Electric Co., Fresno; not a common customer and continued sales.

Wholesale Electric Co., San Francisco; not a common customer, and no further sales.

Q. Do you know what happened? A. I do not.

Baker Joslyn Co., San Francisco; continued and diminishing sales after 1928; not a common customer.

Peerless Light Co., San Francisco; not a common customer and continued but diminishing sales.

Thelan Electric Supply Co. I imagine they are in Oakland; continued but vanishing sales; not a common customer.

Q. District No. 2? A. District No. 2 takes in southern California.

The Electric Corporation, Los Angeles; common customer and continued but diminishing sales.

Electrical Supply & Distributing Co., San Diego, California; not a common customer and continued but diminishing sales.

L. B. Marsh Electric Supply Co., Long Beach, 1586
California; not a common customer and continued sales.

Meyers Electrical Supply Co., Los Angeles; not a common customer and continued but diminishing sales.

Reiman Wholesale Electric Co., Los Angeles; not a common customer and continued sales.

California Wholesale Electric Co.; a common customer and continued sales. They are in Los Angeles.

Cook-Nichols Co., Los Angeles; not a common customer and continued sales.

Baker Electric Co., Los Angeles; continued sales, 1587
which developed after 1928; not a common customer.

Q. There were a number of other smaller distributors in that territory that your firm sold to, but not in substantial quantities? A. Yes.

Q. Were there any direct sales to manufacturers? A. Yes, sir. Attachment plugs.

Q. District No. 3? A. District No. 3 is Oregon.

The Electric Corporation, Portland, Oregon; a common customer and continued sales.

1588 *Harvey C. Pond—Direct.*

Q. There were smaller distributors in that territory to which you sold, but not in substantial quantities? A. Yes, but not in substantial quantities.

Q. Districts Nos. 4, 5 and 6? A. The State of Washington.

Burghart & Huff Electric Co., Seattle; continued sales but not a common customer.

The Electric Corporation, Seattle; a common customer and continued but diminishing sales.

Globe Electric Co., Seattle; continued sales. They
1589 are common customers.

Love Electric Co., Tacoma, Washington; common customer and continued sales.

Q. There are other distributors in that territory which your firm sold, but not in substantial quantities? A. Correct.

Q. District No. 7? A. Hawaii.

Leves & Joaquin, Ltd.; not a common customer and continued sales.

Q. Will you state for the record the total volume of sales annually of the Arrow Company in the San Francisco territory, 1926 to 1930, inclusive? A. 1926, $462,989.

1590 1927, $397,400.

1928, $374,319.

1929, $313,885.

1930, $283,975.

Q. Have you the total domestic figures for the whole United States? A. $1926, $3,825,712.

1927, $3,300,416.

1928, $3,120,033.

1929, $3,068,026.

1930, $2,467,998.

Q. I show you a tabulation showing sales to selected customers by schedules of the Arrow Electric

1591

Co., and later the Arrow Electric Division, for the San Francisco territory, 1926 to 1930, and ask you whether or not this tabulation correctly states the division of products sold to the customers indicated thereon by number. A. On the assumption that those were taken from our records, I do.

Mr. Haycraft: I offer it in evidence.

Examiner Reeves: This tabulation, consisting of four pages, is received in evidence as Commission's Exhibit No. 93.

(The document was thereupon received in evidence and marked "Commission's Exhibit No. 93.") 1592

Q. I show you these tabulations which have been received in evidence as Commission's Exhibits 89 to 93, inclusive, and ask you whether or not the asterisks on those mean common customers with the Hart & Hegeman Manufacturing Company? A. They do.

Q. I will ask you to examine them for each territory and state whether or not, from your knowledge of the business, the division of your sales, according to the schedules, to the customers indicated in those tabulations, is representative of the 1593 business in those territories during those years. A. As far as I can judge, I should say they do.

Q. When were you made vice-president in charge of sales of the new respondent? A. About nine months ago.

Q. And what changes, if any, did you make in your organization at that time? A. None.

Q. You were sales manager of the Arrow Electric Co. from January 1, 1929, and then you continued as sales manager for the Arrow Division of

1594 *Harvey C. Pond—Direct.*

the new respondent, is that correct? A. That is correct.

Q. And then, about nine months ago, you were made vice-president in charge of sales of both divisions, is that correct? A. That is correct.

Q. At the time you assumed your duties as sales manager of both divisions, what did you do different from what you had been doing? A. Practically nothing. It was more of a courtesy than otherwise. We tried to preserve the structure, both inside and outside, of the organization, and preserve the sepa-

1595 rate sales organizations as far as possible.

Q. Well, did you make any changes in your branch offices? A. We made changes in the branch offices nine months ago. That would be about November, 1930, and, to the best of my recollection there have been no changes so far as branch offices are concerned since I was made sales manager for both divisions, with the exception of the Chicago office. There were changes made prior to that time.

Q. Who was general sales manager then? A. There was no such thing.

Q. Is it true that in the Boston office the pres-

1596 ent sales agent there is in charge of the salesmen working under the Arrow Division and the Hart & Hegeman Division also? A. That is true.

Q. When was that— A. I can tell you the various changes and when they were made.

Q. Yes, that is what I am trying to get at. A. On July 1, 1930, by a conference of the various sales executives, including Mr. Cook, Mr. Everest, myself, and Mr. Grier, we appointed Mr. Alexander, who had formerly been the H. & H. manager in Philadelphia, joint manager for both the Arrow and the H. & H. for the territory which he formerly

covered for H. & H. This included the old Baltimore territory, which office and territory had been eliminated on January 1, 1930, and it included the old New York Arrow territory, except for New York State and the New York metropolitan area.

On that same day, July 1, 1930, Mr. Deacon was made joint manager of the metropolitan New York area and relinquished his jurisdiction over the Arrow business in New York State as well as in the territory controlled from Philadelphia and the former Baltimore territory.

On that same date, July 1, 1930, Mr. G. S. Went- 1598
worth was made joint manager for both divisions for Upper New York State.

Q. With headquarters where? A. Headquarters at Syracuse. I might say that these moves were all precipitated to a very large extent by the death of the H. & H. New York manager, Mr. Wilson, who died in March, 1930.

The next move was on September 1, 1930, when Mr. A. C. Nelson was made joint manager for New England. The former H. & H. manager, J. W. Saladine, came to Hartford to take up promotional work. Mr. Nelson was the former Arrow manager for that territory.

1599

On that same day, September 1, 1930, Mr. Paul Ramsey, located at Atlanta, Ga., was made joint manager for both divisions for the newly created southern territory, relieving Mr. J. A. Alexander in the East and Mr. Wildauer and Mr. Lubeck in the West of the territory which he then took over.

Q. Will you give us the extent of that territory now? A. That territory, the newly created territory, takes in the States of South Carolina, Georgia, Florida—which would formerly come under the Philadelphia office—Alabama, Mississippi, Ten-

1600 *Harvey C. Pond—Direct.*

nessee, Arkansas, Louisiana, and Texas, which were formerly supervised from Chicago.

Q. Mr. Ramsey was the former H. & H. man? A. He was a former Arrow salesman. On March 1, 1931, the old Chicago territory was split into a central territory, comprising the States of the southern tier of Michigan, Indiana, Ohio and Kentucky, and Mr. A. E. Lubeck, formerly western manager for H. & H., was made joint manager for that central territory, with headquarters at Detroit, and on the same date Mr. R. L. Wildauer,
1601 the former Arrow western manager at Chicago, was made joint manager of the western territory, with headquarters at Chicago. That western territory consisted of all the states in the former Chicago territory except those newly assigned to the central territory and more recently assigned to the southern territory.

Q. No changes were made on the Pacific Coast? A. No changes were made.

Q. Two separate representatives? A. Two separate representatives.

Q. This last change, was that made by you or the same officials that made the other changes? A.
1602 The same officials that made the other changes.

Q. Who was in charge at Baltimore? A. The Baltimore office was discontinued on January 1, 1930, by the Arrow Electric Co., and that territory was put under the supervision of the Arrow New York manager, A. P. Deacon. Mr. Green, former manager, was put on the pension list.

Q. How many men then are working now for the corporation, for both divisions? A. Mr. Everest has the figures for the Hart & Hegeman Division, which he has offered in evidence.

1603

Q. Yes, I think he has. How many for Arrow? A. For the Arrow Division now, there were eight joint managers, one full manager, 27 men, and one commission agent.

Q. What do you mean by one full manager? A. San Francisco.

Q. And where is the commission agent? A. He is working, to a certain extent, as a salesman under our Chicago manager, the Western manager, at Denver.

Q. That is the— A. The firm name is Bacon, and he is also representing Hart & Hegeman.

1604

Q. Both? A. Both, at Denver.

Q. Was the matter of sales expense under your supervision? A. Except a little to do with it, except in a general way as to branch managers, subject to approval or disapproval of his office.

Q. Just what are your duties and responsibilities, Mr. Pond, at the present time? A. More or less general executive head for consultation purposes.

Q. Who is responsible to you and who reports to you? A. Well, Mr. Everest continues to sign the letters going out for the Hart & Hegeman Division. We try to preserve that identity, and he reports to me. Mr. Barry consults with me, and the district managers also consult with me.

1605

Q. Are they required to make any reports to you in respect to this entire territory and sales? A. Just as matter of news.

Q. Do they consult you or report to you any change in policy or anything of that kind? A. Policy matters, I think, they would take up with me. As to the handling of individual accounts, they more or less would run their own territory.

Q. Do you give any instructions as to the trade or the class of trade that the salesmen are to call on? A. No.

Q. That is left up to the branch managers? A. Yes, that is left to the branch managers.

Q. Have you, independently or with your associates, determined upon the policy as to whether or not the salesman attached to the Arrow Division shall call upon recognized customers of the Hart & Hegeman Division, or vice versa, at the present time? A. No, we left that entirely up to the branch

1607 manager.

Q. In other words, you looked to him for results? A. Absolutely.

Q. You are not interested in whether his sales increased Arrow more than H. & H., or vice versa, so long as he sells the goods? A. No.

Q. What is this I hand you now, Mr. Pond? A. That is a list, recently issued, about a month ago, giving the catalogue numbers of certain competitors, with our equivalent numbers, for use by distributors and our salesmen, so they can substitute our H. & H. or Arrow material and give the same specified material.

1608 Q. And the items which are numbered in this pamphlet are comparatively the same items used for the same purpose? A. Used for the same purpose.

Q. It won't necessarily follow that they are the same price? A. No, or the same equivalent size or dimensions.

Q. Who prepared that? A. It was prepared under the direction of our advertising department.

Mr. Gross: Published when?

The Witness: A month ago. I might say that there is nothing particularly new about

1609

that idea. It is similar to the idea which is already in the General Electric catalogue, and we ourselves had prepared one in 1919.

Examiner Reeves: This pamphlet is received in evidence as Commission's Exhibit No. 94.

(The document was thereupon received in evidence and marked "Commission's Exhibit No. 94".)

Examiner Reeves: The hearing will be adjourned to Friday, May 29, at 10 o'clock A. M., daylight saving time.

(Whereupon, at 5.20 P. M., daylight saving time, an adjournment was taken to 10 o'clock daylight saving time, May 29, 1931.)

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1612 *Harvey C. Pond—Cross.*

Conference room, Arrow-Hart & Hegeman Electric Co., 103 Hawthorne Street, Hartford, Connecticut.

May 29, 1931.

Met pursuant to adjournment 10 A. M., daylight saving time.

Before—WILLIAM C. REEVES, Examiner.

1613 APPEARANCES:

E. F. HAYCRAFT, attorney for the Federal Trade Commission.

CHARLES WELLES GROSS and WALLACE W. BROWN, of Gross, Hyde and Williams, 49 Pearl Street, Hartford, Connecticut, attorneys for the respondent.

PROCEEDINGS.

Examiner Reeves: Gentlemen, you may pro-
1614 ceed.

HARVEY C. POND, resumed.

CROSS EXAMINATION BY MR. GROSS:

Q. During the fifteen months' period, Mr. Pond, covered by the agreement, the existence of the old respondent, that is, from October, 1927, to December 31, 1928, was there any change in the sales policy of the Arrow Electric Company, of which you were the sales manager? A. There was not.

Q. Prior to October, 1927, the Arrow Electric Company and the Hart & Hegeman Manufacturing Company were in full and complete and free competition on their shelf catalog goods? A. They were.

Q. Did that policy continue during that fifteen months' period? A. It did.

Q. Were there two sales organizations, absolutely and completely distinct and separate? A. They were.

Q. During that period the Hart & Hegeman Manufacturing Company still operated in separate offices in the other building on Capitol Avenue? A. They did. 1616

Q. During that time, did you ever receive any instructions from any superior officer in the Arrow Electric Company, or from any officer of the old respondent, the holding company, to change the sales policy of the Arrow Electric Company with reference to the Hart & Hegeman Sales organization or customers? A. No. On the contrary, the orders I have had were to stimulate the competition.

Q. No one ever gave you any orders to keep away from Hart & Hegeman customers through your sales force? A. No, sir.

Q. During that time did your salesmen solicit as freely from all prospective customers in the trade as before? A. They did. 1617

Q. By virtue of your office, and as general sales manager of the new respondent, I presume that you are now familiar with the articles which have been referred to herein as the appliance line which were made in 1927 by the Hart & Hegeman Manufacturing Company?

Mr. Haycraft: That is objected to as not proper cross examination.

1618

Examiner Reeves: Will you read the question?

(The last question was read by the reporter.)

Mr. Gross: My purpose, if your Honor please, is, on cross examination on the question of this competition, to find out what the line was. That is a preliminary question.

Mr. Haycraft: I have no objection to your making him your own witness. I did not go into that, except the goods that were listed in the catalogs.

1619

(Discussion off the record.)

Mr. Gross: May I say that the witness yesterday was asked to take the two lines of goods as they were visualized in the two catalogs, and my learned friend, representing the Commission, very frankly put in through Mr. Pond, not only those things which were in competition, but very willingly showed what lines of switches, for example, that Hart & Hegeman made to some extent that were not in competition. It is to get the complete picture, which we have not got from those two catalogs. There is a very extensive line of the Hart & Hegeman

1620

Company which was not competitive.

Examiner Reeves: The objection is overruled.

Mr. Haycraft: Exception.

(The last question was read by the reporter.)

A. I am.

Q. Did the Arrow Manufacturing Company to any extent manufacture any of the articles similar in line to those appliances which were then made by the Hart & Hegeman Manufacturing Company?

A. You mean the Arrow Electric Company?

Q. Yes, the Arrow Electric Company? A. Well, we had a vague idea that there was business to be had in that class of material, and we started out to see if we could not dive into the facts and dig up some business for ourselves, and the net result was that we manufactured, all told, in 1927 probably between eight and ten thousand of the trigger switch type. They were not suited to the trade; a lot of them were returned as not being suitable and others were returned because they were defective, and we came to the conclusion that it was not our scope of manufacture. We did not have the personnel, either in the engineering department or in our factory or in our outside or inside sales organization, to handle that particular class of business. Our history back of this time, or up to this time, has been one of mass production of staple devices. Our outside sales organization was not prepared to give our engineering departments facts in such a manner as to properly present them to the public and to the user, and we just made a complete flop in our feeble and small attempt to get into that business.

Q. Now, the question of your heater switches, which, as I understand, is a catalog line, or was in 1927: Will you develop the history of the Arrow Company's development of that, first, as a catalog article, and then how it has been further developed through the two or three periods into which this inquiry is divided in point of time. A. The heater switch catalogs, as I recall it, first were brought out away back as far as 1923 or 1924.

We tried to incorporate in the heater switch the same ideas that we had in the production of our other staple commodities; in other words, a standardized line, with enough different sizes and am-

1624 perages to cover the field and the requirements of the field, so that again we could put into mass production, what we called a stock item, and manufacturing it along similar lines as we did our regular catalog materials. We also brought this out in a separate catalog, with the intention of keeping it apart from the jobbing field so far as we could, because we felt our competition is such that we might have to sell direct to the manufacturers to get this business, but still it would come under staple and mass production.

1625 We have since found that it could not be so classified; that the requirements of the trade were different; it could not be done in mass production, and each customer's requirements were so different that it has been developed into an appliance or speciality business. In other words, it is done from blue prints rather than from catalogs to-day. Our first ideas were completely upset.

There is an exhibit in one of the catalogs a part of this heater switch line, that is, on our standard catalog, but that was a special adaptation for special use, and they are standard production items. The volume of that business in that class of com-

1626 modity is for use with electric ranges, hot plates, and of similar character, where the jobber does not come very much into the picture.

Q. Can you bring it down more specifically in point of periods from the period prior to 1927, or the fifteen months' period, or the period of the merged corporation, and when these—be more specific in your experience when coming to the recognition of the fact that for your business it was becoming a question of special order work for specific manufacturers on specific blue prints and detail orders in advance? A. I think this catalog, catalog

1627

number 5, reciprocating heater switches, issued May, 1928, is pretty good evidence that even up to that time we still considered it a regular stock item and production item. It has been since that period that it has developed into special fields.

Mr. Gross: Is that in evidence?

Mr. Haycraft: No, but I will offer it in evidence as "Commission's Exhibit Number 95," being a catalog issued in May, 1928, if the witness can state how long that was in effect.

The Witness: That is the last heater switch catalog that we issued, and very probably the last that we will ever issue on that class of material.

1628

Mr. Gross: I am entirely willing that my friend should introduce that as part of his series of exhibits.

Examiner Reeves: The catalog will be received as "Commission's Exhibit Number 95."

(The catalog referred to was thereupon received in evidence and marked "Commission's Exhibit Number 95.")

The Witness: It just occurs to me, just as a further answer to your question, that since the merged companies, the heater switch business has been thrown into the appliance department, which is the non-competitive department, and they are now handling that business, and will probably continue to on blue prints and special forms. In other words, that catalog is simply for reference as to what has happened in the past.

1629

Q. In other words, you treat your appliance department on these specialty devices as a non-

competitive proposition, handled by one engineering force without ever any question of competition and sales efforts in the fields between the two departments? A. That is right.

Q. Whether or not the real competition between the goods of the Hart & Hegeman Division and the goods of the Arrow division during the holding company's period of fifteen months, the old respondent, and prior to that, was competition predicated upon the respective well-known brands of the two original companies?

1631

Mr. Haycraft: That is objected to as calling for a conclusion which the Commission must draw from all the facts in the records, and cannot be answered by anyone from the witness stand.

Mr. Gross: I claim it.

Mr. Haycraft: If that question could be settled in that way, there would be no need to take testimony, and we could rest the case.

Mr. Gross: This man is an expert in the development of sales effort.

(Discussion off the record.)

1632 (The last question was read.)

Examiner Reeves: Objection sustained.

Mr. Gross: May I note an exception?

Examiner Reeves: Exception noted.

Q. Competition for the sale of manufactured products is necessarily predicated upon the consumption of goods, or there would not be any competition if the stocks on the shelves were not taken off by consumers, am I right? A. I should say you are right.

Q. Where is the ultimate competition between Hart & Hegeman goods and Arrow goods? Is it

among the jobbers or is it among the salesmen of the two divisions? A. I should say it is more in the field than in the separate organizations. For a period of years, of course, Hart & Hegeman has built up, not only its brand, but its loyal distribution in the field, just as the Arrow Electric Company has, and they had followed in a great many cases their own individual methods and their own individual policies, so that to a very great extent they are not running parallel, but along separate lines, and the jobbers who are giving us distribution on the shelf goods lines of both divisions, are very jealous of the distribution and of that line, just as any other jobber who handles other lines would be jealous of any lines that he is pushing, and the jealousy of the two sets of jobbers in the field was the real competition which, even if we wanted to stop, we probably could not stop. 1633 1634

Mr. Haycraft: I move to strike out the last part of the answer.

Mr. Gross: I claim it, Mr. Commissioner, now that he has stated as to the circumstances surrounding the rivalry between the jobbers, to get the goods which they carry into the hands of the ultimate consumer. 1635

Mr. Haycraft: Let the jobbers do the testifying. They are the ones who know. Conjecture has no place in the record.

(Discussion off the record.)

Examiner Reeves: The motion to strike is allowed.

Mr. Gross: Will your Honor note an exception?

Examiner Reeves: An axception may be noted.

REDIRECT EXAMINATION BY MR. HAYCRAFT:

1636 Q. In answering a question that was propounded to you as to appliance line of the Hart & Hegeman Manufacturing Company in October, 1927, at the time that the holding company was organized, you made reference to a trigger switch. Is that the only thing that you had in mind of the appliance line that the Hart & Hegeman Company was manufacturing and putting on the market? A. No, that was the only thing that the Arrow Electric Com-

1637 pany tried to get into.

Q. At that time did the Hart & Hegeman Manufacturing Company sell a heater switch? A. I think they did. We did not feel the competition very heavily. I do not think they were a big factor in the game, and they were progressing along different ideas of design than we were.

Q. Do you know whether it was sold to the same type of users that yours were? A. I am not familiar with that.

Q. But particularly, what type of manufacturers did you sell heater switches to? A. Manufacturers of electric ranges and hot plates.

1638 Q. Was that quite a substantial business? A. Very fair business, yes; a substantial business.

Q. How many years, did you say, you catalogued and sold it? A. If my memory serves me correctly, the first catalog was brought out in 1923.

Q. It was about five years that you catalogued and sold it? A. Yes.

Q. Have you any way by which you can approximate the volume? A. I think Mr. Carroll can get that for you.

Q. It was not until after the merger, or the consolidated corporation was organized, that it was

decided to put that into the appliance line and not the catalog? A. It was after the merger, not during the period of the holding company?

Q. I understood you to testify in cross examination that during the so-called fifteen months' period, from October, 1927, to January, 1929, that your instructions were to stimulate competition between your firm and the Hart & Hegeman Manufacturing Company, is that correct? A. That is correct. I think you can account for it by the fact that the two organizations were very jealous of each other, both inside and outside. There was a lot of personal 1640
feeling on the part of our sales organization, as well as on the part of the H. and H. sales organization.

Q. What did you do to carry out those instructions? A. Simply instructed all of our managers to instruct their men to go after all the business in sight.

Q. Did you tell them particularly to— A. Not particularly.

Q. To get business away from Hart & Hegeman? A. No, not particularly.

Q. Did you instruct them to make any price concession to get business from Hart & Hegeman customers? A. No, sir. 1641

Q. Did you have any particular sales policy at that time or prior to that time as to the class of trade that you would sell your Arrow products to? A. It was a very fluctuating policy. We originally started out to sell entirely through the jobbing trade, years ago, but since it has worked into a closer relationship between manufacturer and manufacturer.

Q. What was the situation prior to October, 1927? A. Prior to 1927 the distribution was prin-

cipally through the jobbers, with the exception of the heater switch business, which was more or less direct, and then competition came in from outside sources, which had to be met, and did not allow us any profit through the jobbers, and we began to sell attachment plugs in a gradual way direct to the manufacturers. That is not appliance business; it is simply a sales policy which we were forced to adopt through price conditions, to take it direct.

Q. At that time did you know that the Hart & Hegeman Company was owned by the holding com-

1643 pany? A. During the period of the holding company?

Q. Yes, during the fifteen months. A. I knew that the capital stock was in the hands of the holding company, yes.

Q. Who gave you the instructions to stimulate this competition? A. Mr. Grier.

Q. Did he give you any explanation as to why? A. Chiefly as a matter of pride in their own organization. We thought we had a pretty good sales organization, and we wanted to show the outside world or friendly competitors, that we had the goods.

1644 Q. Why did you make the change after January, 1929? A. The change in the managership?

Q. Yes. A. Chiefly for the purpose of making available a more concentrated organization, concentrating the territories which made it possible to more intensively work the smaller territories.

Mr. Hayeraft: I think that is all.

RECROSS EXAMINATION BY MR. GROSS:

Q. In response to Mr. Hayeraft's question, as to going after Hart & Hegeman business, isn't it the

fact that prior to 1927 the Arrow salesman had always gone after all the Hart & Hegeman business wherever they were able to get it away from them? A. Yes, sir.

Q. There weren't any changed instructions after the formation of the holding company or during its existence that changed that policy? A. No, sir.

Q. As a matter of fact, there were cases both ways, where one division got business from a customer of the other division? A. Yes, and I think the records will show it.

1646

Mr. Haycraft: I would like to have that demonstrated by further evidence on that point.

Q. Now, in your tabulations and remarks yesterday in response to questions by Mr. Haycraft, on sales in the various territories,—I think you called them,—of the United States, from time to time he asked you whether there were direct sales to manufacturers in a certain territory. By direct sale, you did not mean necessarily that you sold them as appliance articles? A. If I recall my answer, it was chiefly heater switches and attachment plugs. I have already outlined our policy. Direct sales were brought on by jobber competition in the field, which we had to meet or let go entirely, but it would not be classed as appliance business.

1647

Mr. Gross: That is all.

By Mr. Haycraft:

Q. Why didn't you class heater switches as appliances? A. We do now.

1648 *Edward Bosworth Grier—Direct.*

Q. Why not then? A. We thought we could work it in mass production and as a standard line. There was one chief competitor—and not the Hart & Hegeman Company,—who had all kinds of sizes, ratings, ramifications, and everything of the sort, which we thought we would meet by a so-called standardized line; to bring out a group which would meet that particular competitor, and we worked on that theory for years, and found out that it could not be done.

Q. You did do it? A. We did for a while. De-
1649 signs of the range manufacturers change so quickly that they did not want the standardized line put on their products, and we had to make up individual switches for their products.

Q. I would like to have you prepare, Mr. Pond, a list of those customers that were taken from Hart & Hegeman by the Arrow organization during that fifteen months' period of time. A. Yes. May I submit that later?

Q. Yes.

(Witness excused.)

1650 ———

EDWARD BOSWORTH GRIER, was thereupon called as a witness, and having been first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. HAYCRAFT:

Q. Will you please give your full name? A. Edward Bosworth Grier.

Q. What is your position? A. Secretary Arrow-Hart & Hegeman Electric Company.

Q. Where do you live? A. 62 Westwood Road, West Hartford, Connecticut.

Q. In addition to being secretary of the corporation, do you have any other duties? A. I handle the Arrow advertising.

Q. How long have you done that? A. About six years.

Q. That is, you handled the advertising of the Arrow Electric Company as well as the Arrow division of the present corporation? A. I worked on the advertising for more than six years, but I would say that entirely for about six years. 1652

Q. I show you Commission's Exhibit 72 and ask if you can identify that; also Exhibit Number 88? A. I do.

Q. Did you have anything to do with the preparation of these catalogs? A. I always worked on those catalogs in small ways for about twelve years.

Q. In addition to working on the catalogs back in 1927, what else did you do with respect to advertising? A. Created advertisements.

Q. What line of advertising did you put out at that time? A. I can't remember specifically, but the same material shown in the catalog.

Q. How was it circulated? A. Through our jobbers and electrical contractors. 1653

Q. Did you do any magazine or newspaper advertising? A. In trade magazines; not newspapers.

Q. Do you have a complete set of ads that far back? A. Not a complete set, but we have ads—in other words, ads might run in six papers.

Q. You have duplicate ads? A. Yes.

Q. After October, 1927, and while the holding company was in effect,—that is, the stock of the Arrow being held by the Arrow-Hart & Hegeman,

1654 Incorporated, the old respondent in this case, did you continue to supervise the advertising of the Arrow Electric Company? A. Yes.

Q. Did you continue to advertise as you had before? A. Just exactly the same.

Q. Then, after the so-called merger or consolidation, or the formation of the new respondent, the present corporation, did you continue to carry a separate line of advertising for the Arrow Division? A. Yes, just the same as before.

Q. Do you identify this exhibit 81? A. Yes.

1655 Q. Is that your last catalog? A. Yes.

Q. And did you get up the advertising matter that corresponds to the pages in this catalog? A. We are adding new material to that catalog.

Q. *And your* advertising at the present time is for the Arrow Electric division of the Arrow-Hart & Hegeman Electric Company? A. That is right.

Q. In this advertising matter, do you feature the same products that are featured by the Hart & Hegeman division of the present respondent? A. In some instances, yes, for economy of plates.

Q. That is, all you do is use different names? A. Yes.

1656 Q. Will you state, if you can, the difference, if any, or any changes that you made in your latest issue of your catalog, exhibit 81, as compared with exhibit 88? A. Why, the catalogs are very similar; a slight difference in the arrangement, to make it more clear, and then we add new material; the catalogs are very similar.

Q. As new material, or new devices, were brought on the market, you would include them in this catalog? A. That is it.

Q. Glancing through this catalog, exhibit number 81, will you describe some of the more recent devices that you have in mind that have been put on the market that have been included in the catalog? A. Well, page 23, canopy pull switches and canopy rotary switches.

Q. Do you know whether or not those same goods are included in the new H. and H. division catalog? A. Yes, they are; I am quite sure.

Q. Go ahead. A. We tried to keep the catalog up to date, you know.

Page 42, surface tumbler switches, with Arrowtex covers, ten ampere type. 1658

Q. Is that line also included in the H. and H. division catalog? A. Yes.

Also page 42, twenty ampere type, of the same device. How recent do you mean?

Q. Well, since January, 1929. A. Oh, yes.

Page 53, tumbolier flush switches.

Q. Are they included also in the H. and H. catalog? A. Yes. Page 57, type C switches, line starting switches for motors. Those would be in the H. and H. catalog also.

Page 63, radio outlet, number 2146 type; fan-hanger outlet.

Q. That is also carried in the H. and H. catalog? 1659
A. Right. I am just trying to give you everything that is typical.

Q. Were there any items that are included in the new Arrow catalog that are not included in the new H. and H. catalog? A. I know that the catalogs are not identical so far as numbers are concerned.

Q. I am speaking with reference to the new devices that are brought out. A. I think not in the Arrow.

1660 *Edward Bosworth Grier—Cross.*

Q. Any new device that is brought out is also listed in the H. and H. catalog? A. I don't think in every case. It will be eventually, probably.

Q. Are any of the items listed now on which the H. and H. trade mark appears along with the Arrow trade mark? A. No.

Q. Do you know as a matter of fact that there are some articles that carry both the Arrow and H. and H. trade mark?

Mr. Gross: You mean on the same identical
1661 article?

Mr. Haycraft: Yes, on the same article.

A. I don't think so, but I am not sure. I think there are some devices that carry the trade mark. That is beyond me. I don't know.

Q. In the first few pages I notice a number of large pictorial representations of new devices, such as pull switches, lighting outlets, and fan hanger outlets, and so on. Those are the new things that have been brought out in the past year or so, and they are included in both catalogs, with both the same descriptive matter, except at the bottom one has Arrow division and the other has Hart & Hege-
1662 man division? A. Yes, sir.

Mr. Haycraft: That is all.

Examiner Reeves: You may cross-examine.

CROSS EXAMINATION BY MR. GROSS:

Q. On page 43, surface tumbler switches, with Arrowtex covers: You said the same thing would be in the Hart & Hegeman catalog. You did not mean the same name there, did you? A. It would not be advertised under Arrow.

BY MR. HAYCRAFT:

Q. What would be the name? A. It would be called Hegemite covers.

Q. The same device with the same type of cover but with a different name? A. Yes.

Mr. Haycraft: That is all.

ROLLIN N. PECK, was thereupon called as a witness, and having been first duly sworn, testified as 1664
follows:

DIRECT EXAMINATION BY MR. HAYCRAFT:

Q. Will you please state your full name? A. Rollin N. Peck.

Q. What is your address? A. 18 Townley Street, Hartford.

Q. What is your occupation? A. I am advertising manager.

Q. For what company? A. The Arrow-Hart & Hegeman Electric Company.

Q. What division? A. The Hart & Hegeman di- 1665
vision.

Q. How long have you occupied that position? A. I assumed those duties in 1927, I think it was.

Q. In other words, you were with the old Hart & Hegeman Manufacturing Company? A. Yes.

Q. I ask if you can identify this exhibit, Commission's Exhibit 67, the catalog of the Hart & Hegeman Manufacturing Company? A. Yes, that is the catalog.

Q. Did you have anything to do with the preparation of that catalog? A. Yes, I built it.

Q. I also show you exhibit 82 and ask if you can identify that? A. Yes, that is our catalog.

Q. Is that also one that you developed? A. Yes, I built that one, too.

Q. Compare the two catalogs. What would you say would be the difference? A. The difference is that the new one contained new material since the preceding catalog was issued; also, obsolete numbers have been dropped out.

Q. The numbers that have gone out of style? A. Yes.

1667 Q. In your preparation of the new catalog, who furnishes you with the material that you are to list? A. Mr. Everest and Mr. Grier.

Q. You consult with Mr. Everest and with Mr. Grier in the preparation of the subject matter that goes into the catalogs describing the new devices? A. Yes.

Mr. Gross: You are talking about the present time?

Mr. Haycraft: Yes.

The Witness: Yes.

1668 Q. I show you the first few pages of exhibit 82, some descriptive matter. Are they the same as contained in the other catalogs except for the matter at the bottom of the page? A. Yes, and the catalog numbers differ very frequently.

Q. Sometimes they are the same? A. Yes.

Q. Are there any items that are in this new catalog that are not listed in the Arrow catalog? A. Yes, there are.

Q. What numbers? A. That would require an absolute check.

Q. Just from your recollection. A. On page 35 of the H. and H. catalog, there is a much more complete line of switch and receptacle combinations than there are in the new Arrow catalog.

The flush plates listed on pages 43 to 51, inclusive, are more complete, and there are more numbers listed.

The surface snap switches, listed on pages 6 to 25, inclusive, are more complete; that is, there are more numbers, and a wider variety listed on those pages than appear in the Arrow catalog.

Q. There is no new line that has been placed in the H. and H. catalog that does not appear also in the Arrow catalog? A. I do not recall any. 1670

Mr. Haycraft: That is all.

Mr. Gross: That is all.

Thank you.

Examiner Reeves: We will take a five-minute recess.

(A short recess was taken.)

JOHN R. COOK, was thereupon called as a witness, and having been first duly sworn, testified as follows: 1671

DIRECT EXAMINATION BY MR. HAYCRAFT:

Q. Will you state your name, please? A. John R. Cook.

Q. Where do you live? A. 135 Oxford Street, Hartford.

Q. What is your occupation? A. General manager of the Arrow-Hart & Hegeman Electric Company.

1672 *John R. Cook—Direct.*

Q. Also vice-president? A. Yes, sir.

Q. When were you made vice-president? A. The first of 1930.

Q. How long have you been general manager? A. Since the first of 1930, the same time.

Q. As such what are your duties? A. My duties are those of a general manager, in taking over from the president, Mr. Grier, any work that he wants carried through, regardless of whether it is in the manufacturing, sales, or engineering departments. If you want it more in particular,—in the last year

1673 I organized, or attempted to organize, more efficiently his engineering department, to get more enthusiasm and more work out of that department, and by adding to this engineering department imaginative inventors,—if I may use that term—men who do not perfect material necessarily, but can work in their minds and create new working mechanisms.

Q. You might call them artists? A. Yes, more or less a temperamental type, and you have to work with them accordingly.

Q. Did you have anything to do with the sales end of the business? A. Yes, I have taken over

1674 from Mr. Grier the duty of seeing particularly that the non-competitive lines are sold, and that continued pressure is being exerted by the department handling it to increase the business.

Q. Having to do particularly with sales? A. Yes, it had to do particularly with what you might call the sales of the non-competitive devices.

Q. How long did you occupy that position? A. Since the formation of the new respondent.

Q. January, 1929? A. Yes.

Q. And during this period, since January, 1929, you supervised, in your capacity, the activities that

1675

you had in mind of both divisions? A. No, starting in January 1, 1929, Mr. Barry ran the Arrow non-competitive lines, and then, several months after that, he handled the entire so-called heater switch line for both companies. That went on for about six months, and then one division was formed to take over the heater switch line and the non-competitive line, at which time I was manager for several months, and then I was made general manager of the company and Mr. Barry took the management of that business.

Q. And he has now managed that for both divisions? A. Yes.

1676

Q. Prior to January 1, 1929, what were your duties? A. My duties were in the Hart & Hegeman Company. My title was assistant sales manager.

BY MR. BROWN:

Q. That was during the period of the old respondent? A. Yes.

BY MR. HAYCRAFT:

Q. Prior to October, 1929? A. I was assistant sales manager of the Hart & Hegeman Manufacturing Company.

1677

Q. Now, from your experience and from your knowledge that you now have as general manager of the new respondent corporation, can you testify as to the relative volume of competitive and non-competitive business that was being done by the Arrow Electric Company and the Hart & Hegeman Manufacturing Company in 1927? A. In 1927, about fifty-nine per cent. of the Hart & Hegeman business was competitive with that of the Arrow.

1678 *Samuel P. Williams—Direct.*

Q. From the nature of the product that was being sold? A. Yes.

Q. And the system of distribution? A. Yes.

Q. And then, your conclusion is, from the statement you made of the business of these two corporations, that forty-one per cent. of the Hart & Hegeman business was not competitive with the Arrow business in 1927? A. Yes.

(There was a discussion off the record.)

Mr. Gross: No cross examination.

1679 (The witness was excused.)

SAMUEL P. WILLIAMS, recalled as a witness, having been previously duly sworn, testified further as follows:

DIRECT EXAMINATION BY MR. HAYCRAFT:

Q. Mr. Williams, I believe I asked you, when you testified previously in this proceeding, to produce some figures with respect to the purchase of assets of the Paiste Manufacturing Company by the Arrow

1680 Electric Company, is that correct? A. Yes.

Q. Have you that data at the present time? A. Yes, sir. The books of the Arrow Electric Company showed that it paid to the H. T. Paiste Company $256,414.54 for those assets which it took over, paid for in cash to the H. T. Paiste Company, and that subsequently, by vote of the directors of the H. T. Paiste Company, this revenue was used as a part of the cash dividend declared on the common stock of the H. T. Paiste Company, all of which was owned by the Hart & Hegeman Manufacturing Company.

In regard to the purchase of the assets by the Washington Porcelain Company from the Electric Porcelain and Manufacturing Company, subsidiaries of the Arrow Electric Company and Hart & Hegeman Manufacturing Company, respectively, the books of the Arrow showed that the Arrow bought and paid for in cash to the Electric Porcelain Manufacturing Company $12,843.43 of such assets. This cash so received was used by the Electric Porcelain Manufacturing Company in ordinary liquidation of its accounts.

Q. Which were outstanding? A. Outstanding, yes. 1682

Q. Who negotiated these transactions? A. They were negotiated between Mr. Grier and myself.

Q. Mr. Grier as head of the Arrow Electric Company? A. Yes, and myself as head of the Hart & Hegeman Manufacturing Company.

Mr. Haycraft: That will be all.

(The witness was excused.)

EDWARD R. GRIER, recalled as a witness, having been previously duly sworn, testified further as follows: 1683

DIRECT EXAMINATION BY MR. HAYCRAFT:

Q. I believe the last time you were on the stand, Mr. Grier, you were requested by counsel for the Commission to prepare and present a statement showing the savings that had been made and realized by the purchase of certain products by the Arrow Electric Company from the Hart & Hege-

man Manufacturing Company in the manufacture of your various products. Have you done so? A. I have. You will remember that I made a prophesy at that time, and the prophesy as to the economies was fairly good. Of course, it is almost impossible to go into it in detail. There are so many ramifications; economies are made up of so many small items, but there are some outstanding economies which I am very glad to speak of. I will just read what I have here.

Our records indicate that the economy effected in
1685 the year 1928 by taking our manufacture of the Paiste line was considerably in excess of $400,000.

Q. You mean economies? A. Economies to the Arrow. Also to the Hart & Hegeman, because they buy the products for less money, and they make a profit as well.

Q. The $400,000 includes both? A. Yes.

This was due not only to the far greater efficiency of the Arrow manufacture, equipment and methods over the Paiste Company, but also to tremendous savings in overhead caused by handling a big additional volume through the Arrow plant

By transferring the manufacture of porcelain
1686 from the electrical plant of Trenton to the Washington plant of Washington, New Jersey, we increased the volume in the Washington plant over fifty per cent. Normally, this would have resulted in a very great saving, which was not effected due to mismanagement by the then manager of the Washington plant, who was subsequently discharged.

By Mr. Gross:

Q. Whom did you put there in his stead? A. We finally put in the old manager of the Trenton Porcelain Company.

1687

Q. An H. and H. subsidiary? A. An H. and H. subsidiary, and now he is the manager of that company.

BY MR. HAYCRAFT:

Q. About when was he put in there? When did that change take place? A. I can't remember whether it was fifteen months or after—well, I will say about three years ago.

Q. Can you estimate about how much of this $400,000 that you figure you saved through the Paiste deal would go to each company, the Arrow Electric Company and the Hart & Hegeman Company? Have you any idea of that? A. That question is a little hard to answer, for this reason: As I remember it, the Hart & Hegeman did not make any money on the H. T. Paiste Company before October 6, 1927. After we took over the manufacture from them, we put on a discount of ten per cent., but, unfortunately at that time, prices were reduced to a large extent, so the economies which we should have gotten, we did not get, because we did not get the prices for the goods. If the prices had not been reduced this is the amount which we would have made under the old conditions.

1688

Q. In other words, if I understand your answer correctly, what the Hart & Hegeman Company actually realized was a ten per cent. discount which they got on sales they made on products which you made for them—the Arrow? A. Yes.

1689

Mr. Haycraft: That is all.

CROSS EXAMINATION BY MR. GROSS:

Q. But they got better sockets and quicker deliveries and larger stocks? A. Yes, they did. The

1690 Arrow Electric Company was a much more economical manufacturer than the H. T. Paiste Company, a subsidiary of the Hart & Hegeman Manufacturing Company, and the same is true in regard to switches. They were manufactured much more economically than by them.

Q. By "them" you mean Hart & Hegeman? A. Yes.

Q. The resulting efficiency to the Hart & Hegeman was not merely the ten per cent discount, but they got better goods and prompter delivery? A.

1691 Yes.

Q. To supply to their trade? A. Yes.

Q. Resulting in increased sales? A. Yes.

Mr. Haycraft: Mr. Examiner, this concludes the testimony at this time. I will ask for an adjournment to ten o'clock, daylight saving time, at the Old State House on Monday morning.

Examiner Reeves: The hearing will be adjourned to Monday, June 1, 1931, at 10 o'clock daylight saving time, to reconvene in the South room on the second floor of the Old State House

1692 Building in Hartford, Connecticut.

(Whereupon at 12:20 p. m. the hearing in the above entitled matter was adjourned to June 1, 1931, at ten o'clock daylight saving time in the South room, second floor, Old State House Building, Hartford, Connecticut.)

Room 305, United States Court Room, Post Office Building, Hartford, Connecticut. 1693

June 1, 1931.

Met pursuant to adjournment 10:30 a. m. daylight saving time.

Before—WILLIAM C. REEVES, Examiner.

APPEARANCES:

E. H. HAYCRAFT, attorney for the Federal Trade Commission.

1694

CHARLES WELLES GROSS and WALLACE W. BROWN, of Gross, Hyde and Williams, 49 Pearl Street, Hartford, Connecticut, attorneys for the respondent.

(By consent of counsel, the hearing convened in room 305, United States Court Room, Post Office Building, instead of in the Old State House Building.)

1695

PROCEEDINGS:

Examiner Reeves: You may proceed, gentlemen.

Mr. Haycraft: I will recall Mr. Pond.

HARVEY C. POND, recalled as a witness, having been previously duly sworn, testified further as follows:

DIRECT EXAMINATION BY MR. HAYCRAFT:

Q. At our last session, Mr. Pond, in your testimony you referred to instances where you believed, or had reason to believe, that the Arrow Electric Company had taken business away from the Hart & Hegeman Manufacturing Company after 1927, or vice versa, and I asked you to check up on that and
1697 bring in whatever instances you could find. Have you done so? A. I have.

Q. What firms have you in mind? A. Doubleday, Hill Electric Company, Pittsburgh.

Q. With respect to that one, which way did that go? A. From H. and H. to Arrow.

Baltimore Electric Supply Company, Baltimore; from H. and H. to Arrow.

Atlantic Electric Company, Norfolk; from H. and H. to Arrow.

Southern Electric Supply Company, Atlanta; from H. and H. to Arrow.

Robertson Supply Company, Incorporated, Or-
1698 lando, Florida; from H. and H. to Arrow.

Turner's Supply, Mobile, Alabama; from H. and H. to Arrow.

Smith-Perry Electric Company, Dallas; from H. and H. to Arrow.

Q. Also, at the last session, in your testimony with respect to the sale of Arrow Heater switches, I asked you to produce the volume of those sales. A. I have those figures beginning in 1924.

In 1924, $22,833.

In 1925, $205,593.

In 1926, $259,055.

In 1927, $251,559.

In 1928, $313,702, and for that year we have a break down, so that excluding export and Canada, the domestic sales amount to $171,409.

In 1929 the total business, $361,023, which, less export and Canada, makes the domestic sales $212,-612.

In 1930, total sales, $109,619; less export and Canada, making domestic sales $213,430.

Mr. Haycraft: I think that is all.

Mr. Gross: No questions.

Mr. Haycraft: At this time I wish also to 1700
offer in evidence the list of common stockholders of the Arrow-Hart & Hegeman Electric Company as of January 1, 1929, at the time it was organized, which is introduced by counsel for respondent as having been prepared at their order at my request by the Phoenix State Bank and Trust Company, the transfer agent. I offer it in evidence at this time.

Examiner Reeves: This list is received in evidence as Commission's Exhibit Number 96.

(The paper referred to was thereupon received in evidence and marked "Commission's Exhibit Number 96.") 1701

Mr. Gross: Counsel for respondent, at the request of counsel for the government, admits that the preferred stock of the new respondent, in accordance with the agreement of merger, Exhibit Number 51, was issued, share for share, to the preferred stockholders of the Arrow Electric Company and of the Hart & Hegeman Manufacturing Company, respectively, as shown on Exhibits 70 and 71, respectively, being lists of those preferred stockholders at the close of business of December 31, 1928.

1702 *John J. Keane—Direct.*

JOHN J. KEANE, was thereupon called as a witness, and having been first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. HAYCRAFT:

Q. You will state your name, your residence, and your occupation? A. John J. Keane, 68 Read Street, Agawam, Massachusetts.

Q. What is your occupation? A. Manager of Charles E. Hayes Company.

1703 Q. Where is that business located? A. 189 Taylor Street, Springfield, Massachusetts.

Q. In what business is the Charles E. Hayes Company engaged? A. Wholesale distribution of electrical supplies.

Q. Does it travel salesmen? A. Yes.

Q. Over what territory does it travel salesmen? A. About fifty-mile radius. Do you want the cities and towns?

Q. The larger ones. A. Springfield, Northampton, Greenfield, Pittsfield, Westfield, and Holyoke.

Q. What class of trade do they call on? A. Industrial—that is, factories, electrical contractors, dealers, hardware stores, and things like that.

1704 Q. How many salesmen do you travel? A. Three.

Q. Do you have any business dealings with the Hart & Hegeman Manufacturing Company? A. As the Hart & Hegeman, do you mean?

Q. Yes. A. Yes, sir, we buy practically all their what we call schedule material from them.

Q. At the present time? A. Yes.

Q. How long have you had dealings with the Hart & Hegeman Manufacturing Company? A. I should say about ten or twelve years, possibly longer.

1705

Q. And during that period of time have you bought all your schedule material, as you call it, from them? A. No, but almost all of it.

Q. Has the percentage of your requirements of that type of material varied during that period of time? A. Oh, yes, sometimes it will run seventy per cent; sometimes as high as eighty per cent.

Q. I show you Commission's Exhibit 10 and ask you if you recognize that as a description of the various articles of wiring devices that you buy from the Hart & Hegeman Manufacturing Company? A. Yes, sir.

1706

Q. During that period of time did you have any dealings with the Arrow Electric Company? A. Yes, sir, sometimes as high as thirty per cent., twenty or thirty per cent.

By Mr Gross:

Q. During what period of time, do you mean?

Mr. Haycraft: The period of time that he has been in business.

By Mr. Haycraft:

1707

Q. How did the Hart & Hegeman Manufacturing Company solicit your business? A. The district sales manager and salesmen.

Q. Say, back in 1925, 26, and 27, can you remember who called on you at that time representing the Hart & Hegeman Manufacturing Company? A. Yes, I think at that time it was in charge of the representative in Boston. He was Mr. Albet Mann. I am pretty sure that was the name, that he was at the head of it at that time.

1708 *John J. Keane—Direct.*

Q. Did Mr. Mann call on you personally? A. Yes, Mr. Mann and Mr. Ross, who used to be with Mr. Mann. 1927, you say?

Q. Yes, sir. A. I am not sure that Ross was with him at that time.

Q. Do you remember when Albet Mann discontinued calling on you and somebody else did? A. Yes, sir, when the Hart & Hegeman opened a Boston office.

Q. Do you know when that was? A. I should say it was around—possibly around 1927. I am not sure.

1709

Q. Then, who called on you representing the Hart & Hegeman Manufacturing Company? A. Mr. Saladine.

Q. Did salesmen also of the Hart & Hegeman? A. Yes.

Q. Do you remember who the salesmen were? A. There were three different salesmen—Kayser and Watts. Of course, Mr. Smith called on me quite frequently from the factory.

Q. From the factory? A. Yes, on specialties and things like that.

Q. Does Mr. Saladine still call on you? A. No, not since the first of the year.

1710

Q. Who calls on you now representing the Hart & Hegeman Manufacturing Company? A. Mr. Nelson.

Q. Do you remember his initials? A. A. G. I think.

Q. Do you know what Mr. Nelson was before he became district manager? A. Manager of the Arrow Electric Company.

Q. Back in 1925, 26 and 27 who represented the Arrow Electric Company in calling on you? A. Mr. Nelson.

1711

Q. And all during that time? A. Yes.

Q. Did he have any salesmen besides himself? A. Yes, he had—The best that I can say—He had some salesmen, but I can't tell you just now.

Q. Does he have any salesmen calling on you now? A. Sikes and himself.

Q. How long has Sikes been calling on you? A. Oh, I should say about a year.

Q. And does he solicit business for the Arrow Electric Company? A. He solicits business for both companies.

Q. And how long has he been soliciting business for both companies? A. As near as I can understand, since the first of January of this year.

1712

Q. 1931? A. 1931.

Q. How did the line of products of the Arrow Electric Company sold in 1925, 1926 and 1927 compare with that of the Hart & Hegeman as to general characteristics? A. Practically the same.

Q. This schedule (handing paper to witness) would correctly describe them? A. Yes.

Q. About 1926 and 1927 what percentage of your purchases of all electrical wiring devices were from the Hart & Hegeman Manufacturing Company and what percentage from the Arrow Electric Company?

1713

Mr. Gross: Just a moment. Will you read that question, please?

(The last question was read.)

A. Between seventy and eighty per cent. H. & H., and the balance, with a possible exception of ten per cent., from Arrow. The ten per cent. I bought from other companies.

1714 *John J. Keane—Direct.*

Q. In 1928, how did that percentage run? A. In 1928, I should say, about the same.

Q. In 1929? A. Well, I think in 1929 we decided to carry but one line, that is, as far as it was possible. I think that would be the latter part of 1929.

Q. And 1930? A. We followed that out, and carried mostly H. & H.

Q. Why did you come to that decision? A. Well, because we were duplicating our stocks. We had three or four different makes on our shelves, and we
1715 could see no reason why we should carry these competing lines. We figured the H. & H. line was the better; that is, always had the better name, in our estimation, and we always had carried it.

Q. So from that time you carried a smaller percentage of Arrow products? A. Yes, very small.

Q. Did you meet or come in contact with any salesmen of Hart & Hegeman or the Arrow companies in your own calls upon the trade? A. Oh, yes, surely. I met them both; that is, up to the first of January I met both salesmen. In fact, we let them go around with our salesmen.

Q. Just explain how that operates, how a sales-
1716 man goes around with your salesman? A. Well, he comes in with new items, and he wants to go out among the trade and display them. We leave one of our salesmen go with him and call on the trade. If he is a representative of the Hart & Hegeman line he is trying to sell the Hart & Hegeman products.

Q. How are the orders placed? A. They are placed whichever the dealer wants to place them; that is, if he wants H. & H. or Arrow—some insist on Arrow and some insist on H. & H.

1717

Q. Orders are placed as they desire? A. Yes, they are.

Q. Prior to this year, January, 1931, both salesmen; that is, salesmen of both the Arrow and Hart & Hegeman, went around with your salesmen? A. Yes, or independently of our salesmen. That is, the H. & H. salesmen, but not the Arrow—probably once or twice the Arrow.

Q. What is the situation after January, 1931? A. Well, they have one representative in our territory now; that is, as far as I know, and he sells both lines.

1718

Q. How does he do that in making these calls on the trade? A. Well, if he happens to be with me he sells H. & H., because I insist on it. If he goes with some other distributor, he sells the—

Q. Is there an Arrow distributor in this territory? A. Yes.

Q. What is his name? A. The Hampden Electric Supply Company.

Q. And have you seen him around with the salesmen of the Hampden Electric Supply Company? A. No, I never happen to come across him, no.

1719

Q. Have you ever seen him in the trade in calling on the retail trade when he was not representing that firm? A. Oh, yes; I have seen him when he was free-lancing.

Q. Was there any explanation given to you as to why the Arrow salesman was taken away from that territory and is handled now by the H. & H. salesman? A. The H. & H. salesman was taken away. The Arrow salesman is there now, since the first of January, this year.

Q. Yes, just change that around if I have it twisted. A. The only explanation I got was that the man that covers the Connecticut territory was the

1720

fellow who used to come into Springfield—possibly the only part he used to cover, and he had so much territory that he could not come up there.

Q. That is the H. & H. man? A. Yes.

Q. Who told you that? A. Mr. Nelson, the district sales manager.

Q. What did he say? Did he say that Mr. Sikes would do it from that time on? A. Well, he told me he would represent both lines; when he was with our man he would be representing H. and H., and when he was with anybody else, I presume, the other com-

1721

pany, but I understand that he has sold for us both lines to a customer, H. & H., and Arrow.

Q. Have you seen in your territory any items having the trade mark "Arrow-H. and H."? A. Yes, several items.

Q. Can you describe some of those? A. There is a radio receptacle, I think. I think there is an attachment plug cap.

Q. Have you seen any switches? A. No, I have not seen any switches.

Q. When did they first come out? A. I don't know. I just happened to come across them.

Q. How long ago was it? A. About two or three

1722

weeks ago.

Mr. Hayeraft: I think that is all.

CROSS EXAMINATION BY MR. GROSS:

Q. Mr Keane, this Hampden Electric Supply Company, which, I understand, is the Arrow distributor in Springfield, do they sell the same general complete line of electrical wiring devices as you do? A. As far as I know, yes, sir.

1723

Q. They are competing with you, then, for the sale of goods that they own to the trade? A. Yes.

Q. And is that competition between you and Hampden as keen as it ever was?

Mr. Haycraft: That is objected to as not proper cross examination.

Mr. Gross: I submit, if your Honor please, that we do not confine it to what my brother brought out. Let us have the whole question of competition. He just brought out that Hampden was the Arrow distributor in Springfield.

1724

Examiner Reeves: The objection is overruled.

Mr. Haycraft: Exception.

(The last question was read.)

A. Yes, sir, it is keener, because they put several more salesmen in, as I understand.

Q. And you have gradually brought your line to the H. & H. goods, because you like that one line and you want to carry one stock? A. Yes.

Q. No one ever refused to sell you the Arrow line? A. I still buy Arrow. I am still a distributor of Arrow, and of two other competing lines.

1725

Q. What other lines? A. Pass and Seymour and Hubbell.

Mr. Gross: That is all.

REDIRECT EXAMINATION BY MR. HAYCRAFT:

Q. What percentage of business has Pass and Seymour of your business? A. About ten per cent.

Q. About the same as Arrow, then? A. The Arrow line is a little bigger than that. The Arrow

probably runs fifteen to twenty per cent., but the only reason I carry any of these is because there is a certain demand for them.

Q. Is there any other distributor of Pass and Seymour and Hubbell in your territory? A. I couldn't tell—yes, Hubbell. I know Wetmore Savage does. I think General Electric Supplies distributes it also. I don't know whether Hampden does or not.

Mr. Haycraft: That is all.

1727 Examiner Reeves: We will take a short recess.

(Whereupon a short recess was taken.)

JOHN M. DALTON, was thereupon called as a witness, and having been first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. HAYCRAFT:

Q. Will you give your full name? A. John M. Dalton.

1728 Q. Where do you live? A. 93 Cheerylyn Avenue, Springfield.

Q. What is your occupation? A. Clerk.

Q. For whom? A. Hampden Electric Supply Company.

Q. Where is your place of business? A. 216 Dwight Street, Springfield.

Q. How long have you worked for the Hampden Electric Supply Company? A. They have been in business for about five years under the name of Hampden. Before that it was Brown and Ross, Incorporated.

1729

Q. How long have you worked for this same house? A. In the same place of business, under different names, probably eight years.

Q. What line of products do you handle? A. You mean in wiring devices? A. Yes.

Q. Yes. A. Mostly Arrow.

Q. I show you Commission's Exhibit 40 and ask you if that correctly describes the general line that you buy from Arrow Electric Company? A. Yes.

Q. Have you had any business dealings at all with the Hart & Hegeman Manufacturing Company? A. Very little, until recently. I just bought that switch, that was all, the one I explained to you about.

1730

Q. Of course, your explanation to me is not in the record. A. I buy everything from the Arrow Electric Company, with the exception of that one switch, which I got.

Q. Back in 1926 and 1927 who solicited your business for the Arrow Electric Company? A. Mr. A. C. Nelson, and Mr. Schwollow.

Q. That is his salesman? A. Yes.

Q. What was Mr. Nelson's position, do you know? A. Manager of the Boston District, as far as I know.

1731

Q. He solicited the business personally? A. Yes.

Q. And did his salesmen go with your salesmen to make calls on the trade that you sold to? A. Yes, we only had one salesman, Mr. Wilson, and most of the time he went out alone.

Q. What class of trade did you sell to? A. Contractors, industrials, mostly.

Q. Has there been any change in the method of distribution or solicitation by Mr. Nelson in the past few years or not? A. All he sold is Arrow; that is all he sold.

1732 Q. Who is the representative that calls on you now? A. Mr. Sikes.

Q. But Mr. Nelson also calls on you? A. Yes.

Q. Does Sikes go around with your salesmen in calling on your customers? A. Yes, sir.

Q. What line does he sell? A. The Arrow line, I hope.

Q. Very recently has he displayed what is known as the Arrow-Hart & Hegeman line? A. Outside of the sample board—

Q. What is the sample board? A. It contained
1733 a radio receptacle, two pilot lights, and—well, I don't know what else. There were six of them.

Q. Did he take that sample board with him in his calls on the trade in the past month? A. Yes.

Q. Did you secure any business of that new line? A. Yes.

Q. Since you have been in business there with the Hampden Electric Supply Company and its predecessor, Brown and Ross, has any representative of the Hart & Hegeman Manufacturing Company solicited your business? A. No, sir.

Q. You are not acquainted with any salesmen of that firm? A. No, sir, I don't know one of them.

1734 Q. That is true within the past two or three years, as well as some years ago? A. I believe a fellow may have come in to Mr. Wilson, but we always tell him that we handle nothing but Arrow—in fact, we are almost one hundred per cent Arrow. A few items we go away from, but we use as much Arrow as we can.

Q. Do you know anything about the quality of the Arrow products as compared with the H. and H. products? A. No.

1735

Q. You have never seen the two lines together? A. No.

Mr. Haycraft: I think that is all.

CROSS EXAMINATION BY MR. GROSS:

Q. This sample board, that was marked with the name "Arrow-Hart & Hegeman Electric Company?" A. That is on the top.

Q. How were the particular devices on that sample board marked? A. You mean the makes?

Q. Yes. A. Just the numbers on them. 1736

Q. Was there any trade mark on them? You don't mean the joint name was on the articles, do you? A. No, sir, on the top of the board.

Q. So far as you know there may have been H. and H. articles with the H. and H. trade mark and Arrow devices with the Arrow trade mark? A. There might have been anything. I never looked at it.

Q. Who are your principal competitors in Springfield? A. Charles E. Hayes Company.

Q. Represented by Mr. Keane, who has testified? A. Yes.

Q. That is in the wiring device line? A. Yes. 1737

Q. Are you in active competition with them?

Mr. Haycraft: That is objected to for the same reason that I gave a moment ago. My direct examination did not deal with that.

Examiner Reeves: The objection is overruled.

Mr. Haycraft: Exception.

Mr. Gross: Will you read the question, please?

(The last question was read.)

A. Yes.

Q. And have been for years? A. Yes, sir.

Q. And that is true in 1927 and 1928 as it was prior to that time, isn't it? A. Always been so.

Q. There has been no let down in that competition? A. No.

Q. And the two firms fight for all the business in Springfield? A. Yes, we fight for it and we get the most of it.

Q. As I understood you, this change in Mr. Nelson's calling on you as representing the two divisions and Mr. Sikes as one salesman in and around Springfield, that did not go back of the first of this year, approximately? A. You mean Mr. Sikes—

Q. I think you testified it was about the first of the year that Mr. Nelson came to you and represented both divisions.

Mr. Haycraft: No, this witness did not testify to that.

Q. Can you locate when Mr. Nelson— He never did anything? A. No, sir, just went the same. When the salesmen came in we bought the Arrow line.

Q. Mr. Nelson had always been the Arrow man? A. Yes, sir.

Q. And he came as an Arrow man? A. Yes.

Q. Mr. Sikes came to you as an Arrow man? A. Yes.

1741

Q. The fact that you dealt almost exclusively in Arrow goods was entirely a matter of decision in your own house, wasn't it? A. Yes, sir.

Q. You were not compelled to deal in that exclusively? A. No, we did it in all the lines; we go one hundred per cent. one company.

Q. You deliberately picked Arrow? A. It was picked for us. When Brown and Ross had it, it was Arrow, and when Wilson took over the business he continued to be Arrow.

Q. How about Pass and Seymour? A. We have to pick up what the Arrow does not make.

1742

Q. You tell all your salesmen you take the Arrow when you can? A. Yes.

Mr. Gross: That is all.

Mr. Haycraft: That is all.

(A short recess was taken.)

D. M. SHEPARD, was thereupon called as a witness, and having been first duly sworn, testified as follows:

1743

DIRECT EXAMINATION BY MR. HAYCRAFT:

Q. Will you give your full name, please? A. D. M. Shepard.

Q. Where do you live? A. New Britain, Connecticut.

Q. What is your occupation? A. Sort of general, all-round man, Landers, Frary, and Clark, New Britain.

Q. Where is their business located? A. New Britain.

1744 Q. In what business is Landers, Frary, and Clark engaged? A. Among other things, they make electrical appliances, cutlery, fruit choppers, bread mixers, vacuum cleaners, brass goods, coffee mills—

Q. That is enough. A. Silverware.

Q. Do you make a line of electrical ranges? A. Yes, sir.

Q. Have you had occasion to make any purchases from the Arrow Electric Company for any of your equipment? A. May I ask you to qualify that? In other words, the Arrow Electric as now?

1745 Q. Well, at any time?

Mr. Gross: He wants to know which company.

Mr. Haycraft: He said the Arrow Electric Company.

Mr. Gross: He said "now".

Q. Well, say, four, five, or six years ago. A. We purchased quite a lot of material from the Arrow Electric Company. Incidentally, I might add right here that I was purchasing agent up to three years ago.

1746 Q. For how long a period of time were you purchasing agent? A. For about eight years.

Q. What items did you buy from the Arrow Electric Company, say, back in 1926 and 1927? A. We started purchasing what may be called switches for electric ranges, from the Arrow Electric Company.

Q. Known as heater switches? A. Heater switches: heavy duty. They are a type of heater switches.

Q. Did you continue to buy subsequent to that time from the same place? A. Yes, they came to

1747

us from the same source of supply, but a different name.

Q. Did you understand that there was a change in the ownership of the company since that time? A. The billings, and so forth, have come to us with "Arrow-Hart & Hegeman Electric Company."

Q. Arrow Electric Company division—is that the way it comes now? A. I can't say as to that. I have been out of touch with the purchasing department three years.

Q. But you are still handling heater switches that come to you from that same source? A. Yes, sir.

1748

Q. Will you say that your purchase of heater switches from that same source was substantial during that period of time?

Mr. Gross: What period of time?

Mr. Haycraft: 1925 and 1926, up to the present time.

Mr. Gross: The gentleman stated that he had nothing to do with it since three years ago.

Mr. Haycraft: I think you misunderstood him. While he is not the purchasing agent, he has something to do with that.

1749

A. In a general way for the purchasing department. When you come to the names—whether they have "incorporated" on it or not, I am not quite so clear. In a general way, our purchases from the Arrow—the Arrow-Hart & Hegeman—have been more substantial since we have been using these switches.

Q. Did you buy all your heater switches for your electric ranges that you manufacture from that source? A. Not entirely.

1750 Q. Would you say the great majority or do you buy more from somebody else? A. The great majority.

Q. Do you have any objection to estimating approximately the value of the annual purchases of heater switches, if you know? A. In an average year, sixty to seventy-five thousand dollars' worth a year.

Mr. Hayeraft: I think that is all.

CROSS EXAMINATION BY MR. GROSS:

1751 Q. All these purchases from the Arrow Electric Company, or the Arrow-Hart & Hegeman Electric Company, were on direct order from your company to the factory? A. Yes.

Q. And on special specifications, generally? A. In general, yes.

Q. You also bought a line of special appliances from Hart & Hegeman, didn't you? A. We had purchased from Hart & Hegeman for a great many years, among other items, a trigger switch that we used with our vacuum cleaner.

Q. Of special design? A. It was specially designed for the vacuum cleaner trade, used by others
1752 in the trade.

Q. But made specially for you on special order? A. Yes.

Q. Any special goods at all? A. No, sir.

Q. Those you bought from the Hart & Hegeman Manufacturing Company before they went into the Hart & Hegeman Electric Company? A. Yes.

Q. And you still continue to do it? A. Yes.

Q. So you are buying from both divisions special goods on special order and special design, and not shelf goods in either case? A. No.

BY MR. HAYCRAFT:

Q. Are you sure that that heater switch was not a shelf goods item? A. When you refer to shelf goods, I assume that you are referring to an article that is so regular—

Q. That could be used by other customers?

Mr. Gross: I don't quite agree with that definition. Maybe the witness would like to know what you mean by that.

Mr. Haycraft: Would you like to give your definition? 1754

Mr. Gross: May I give it? What I meant was, shelf goods to the witness was: I meant something standardized, of mass production, carried in stock for delivery on immediate receipt of order, and yet made up from special design, but not exclusively for Landers; it might be made up for Hoover or anybody else.

Mr. Haycraft: My question was whether or not the heater switch that they bought from the Arrow Electric Company was a standard switch which was manufactured by the Arrow in mass production and sold to other manufacturers; was catalogued and carried in stock 1755 —whether he knows that.

The Witness: To the best of my knowledge it was not a shelf item.

Q. Will you describe it as best you can? A. Do you want the present or the one—

Q. Let us start with the one that you started with. A. That goes back to the early days of the range switch business.

1756 Q. 1926 and 1927? A. Well, even—the switch industry did not advance very far, and it was necessary to have a large procelain block, as I recall it, through which your wires were brought, and then a switch set on that block—it was a three-way—that is, it was capable of giving three separate stations—different heats; a reciprocating switch especially designed for the range manufacturer as regards durability. In other words, there were plenty of other reciprocating switches on the market, but they would not stand up.

1757 Q. What amperage was required and what voltage? A. Thirty and 60 amperes, as I recall it.

Q. 250 volts? A. As high as 250 volts.

Q. Did the Arrow Electric Company catalog contain that switch at that time? A. Whether or not it was at that time or not, I am not sure, but at one time they had what might be termed a specialty catalogue, a small leaflet. To the best of my knowledge it never showed in their wiring-device catalogue.

Q. But they put it out in a specialty catalogue? A. It may be called a catalog, or it may be called a bulletin.

1758 By Mr. Gross:

Q. As I understand it, whatever it may have started with, you quickly got away into special requirements, which were specially made, from special design? A. As the industry advanced, the obsolete numbers were done away with.

Q. And we got away from anything like a standardized line a number of years ago? A. Well, even the original was a specialty.

Mr. Gross: All right, that is all.

Examiner Reeves: Anything further?

1759

By Mr. Haycraft:

Q. What difference is there now between the original switch and the one you are using now? What are the differences now? A. The switch at the present time has no fuse block. The principal difference has been in the improvement of the interior mechanism, so they will stand a great deal more revolutions than the old type of switch; special length of stems, and when I refer to the stem, that is part of the switch on which the knob revolves. In some cases there are specially designed knobs.

1760

Q. Did anyone from the Arrow Company solicit your business, or did you seek them to make the switch for you? A. Our business was solicited by the Arrow Electric Company.

Q. Did you make a series of tests to determine which one you would select? A. The Arrow Electric switch was carefully tested out before we switched our business to the Arrow.

Q. Did you make a test of all other makes? A. Two other prominent switches were tested at the same time.

Q. And you selected the Arrow over the other two? A. Yes.

1761

Mr. Haycraft: That is all.

By Mr. Gross:

Q. And the mechanisms of the other manufacturers were different from ours? A. Yes, sir.

By Mr. Haycraft:

Q. Were they intended to serve the same purposes? A. Yes.

1762

Q. But you felt the mechanism of the Arrow was better? A. Yes, sir.

Q. As a matter of fact, you had been using another manufacturer's product before that time, had you not? A. Yes.

Q. And you wanted to improve it? A. Yes.

By Mr. Gross:

Q. And came to us and asked us if we could not give you a better switch? A. As I recall the transaction, Mr. Perkins came to us on that switch.

1763

By Mr. Haycraft:

Q. He told you he had a better switch than the one you were using, or just what was the approach? A. As to whether or not we were entirely satisfied with the first results we were obtaining from the heater switches as they were developed in that day, and my answer was promptly, "No," and the Arrow Electric Company set out to develop the heater switch which we eventually adopted.

Mr. Haycraft: That is all.

1764

Mr. Gross: That is all. Thank you.

(A short recess was taken.)

1765

MISS E. M. EVANS, was thereupon called as a witness, and having been first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. HAYCRAFT:

Q. What is your occupation? A. Transfer clerk at the Phoenix State Bank and Trust Company.

Q. As such, did you have anything to do with the transfer of stock of Arrow-Hart & Hegeman, Incorporated, during the time that it was in existence, from October, 1927, until January, 1929? A. I did.

1766

Q. I will ask you if you can identify this paper which I hand you now? A. Yes.

Q. I also show you "Commission's Exhibit Number 50," which was issued by the Phoenix State Bank and Trust Company, as transfer agent, for Arrow-Hart & Hegeman, Incorporated, and of the Arrow Electric Company and of the H. and H. Electric Company, which refers to the necessity of stockholders of Arrow-Hart & Hegeman, Incorporated, to present their certificates for shares to the Phoenix State Bank and Trust Company to be stamped showing an assent to the plan of reorganization, which was then being promulgated, and my question is whether or not this stamp which you now have before you was the stamp that you were to use in stamping the stock that might be presented under that plan? A. Yes.

1767

Q. The next question is whether or not it was ever used? A. It was not.

Q. Can you state why? A. The certificates of stock that we had prepared were never taken up by the stockholders. They were never asked for.

1768

Q. Is that a part of the plan that was never—
A. No. They were all prepared and awaited the call of the stockholders, but nobody ever asked for them. We had no occasion to use the stamp.

Mr. Haycraft: With that explanation, I offer the stamp in evidence, with the testimony of this witness, which will explain that particular feature of the transaction.

Examiner Reeves: This stamped paper is received in evidence as "Commission's Exhibit Number 97."

1769

(The paper referred to was thereupon received in evidence and marked "Commission's Exhibit Number 97.")

Q. As I understand it, the stamp which you have just identified, was to be placed upon the certificates representing the capital stock of Arrow-Hart & Hegeman, Incorporated. Now, I show you "Commission's Exhibit Number 66," which also is a stamp. A. Yes.

Q. Did you have anything to do with that stamp? A. Yes.

1770

Q. And on what stock or certificates was that stamp put on? A. That was placed on the Arrow-Hart & Hegeman, Incorporated, certificates of stock.

Q. And also the other? A. No.

Q. Just on that stock? A. Yes.

Q. That was done with that particular stamp that you have before you, Exhibit 66? A. Yes.

By Mr. Gross:

Q. Do you know when that was put on? A. After January 1, 1929.

BY MR. HAYCRAFT:

Q. What were the circumstances of the use of that stamp? A. We would put it on the certificates, showing that they were of no value, and returned the certificates to the stockholders.

Q. They were just stamped and returned to the stockholders of Arrow-Hart & Hegeman, Incorporated? A. Yes.

Q. And at the same time that that was done, would you issue stock in the Arrow Electric Company and the H. and H. Manufacturing Company? 1772
A. In the Arrow-Hart & Hegeman Electric Company.

Q. You would issue stocks to those people? A. As they would bring in their certificates we would give them a new certificate of like number of shares of the Arrow-Hart & Hegeman Electric Company.

(A short recess was taken.)

EDWARD R. GRIER, recalled as a witness, having been previously duly sworn, testified further as follows: 1773

DIRECT EXAMINATION BY MR. HAYCRAFT:

Q. Do you identify this paper as a proxy which was given to you by the stockholders of the Arrow Electric Company?

Mr. Gross: Of the common stock.

Q. The common stockholders of the Arrow Electric Company in July, 1927? A. Yes, July, 1927. I do.

1774

Mr. Haycraft: I offer in evidence a copy of this exhibit at this time, and ask that it be marked "Commission's Exhibit Number 98."

Examiner Reeves: This document, identified by the witness, is received in evidence as "Commission's Exhibit Number 98," with leave granted to withdraw the original and substitute a copy.

(The paper referred to was thereupon received in evidence and marked "Commission's Exhibit Number 98.")

1775

Mr. Haycraft: Mr. Examiner, this concludes the taking of testimony in Hartford of this case, and I ask that an adjournment be had until 10:30 o'clock eastern standard time, or eleven o'clock daylight saving time, in Room 229, Young's Hotel, Boston, Massachusetts, on June 3.

Examiner Reeves: The hearing will be adjourned to June 3, 1931, at 11:30 a. m. daylight saving time, to reconvene in Room 229 of the old Young's Hotel Building, Boston, Massachusetts.

1776

(Whereupon, at 12:30 p. m., June 1, 1931, the hearing in the above-entitled matter was adjourned to June 3, 1931, at 11:30 a. m. daylight saving time at Room 229 of old Young's Hotel, Boston, Massachusetts.)

Room 229, Old Young's Hotel Building, 1777
Boston, Massachusetts.

June 3, 1931.

Met pursuant to adjournment, 11.30 a. m., daylight saving time.

Before—WILLIAM C. REEVES, *Examiner.*

APPEARANCES:

E. H. HAYCRAFT, Attorney for the Federal Trade Commission.

CHARLES WELLES GROSS and WALLACE W. 1778
BROWN, of GROSS, HYDE, AND WILLIAM, 49 Pearl Street, Hartford, Connecticut, Attorneys for the respondent.

PROCEEDINGS.

Examiner Reeves: You may proceed, gentlemen.

Mr. Haycraft: Before I proceed further with the witnesses I have here in Boston, I would like to offer this in evidence, to be considered 1779
in connection with Mr. Pond's testimony given the day before yesterday, and which I understand he had prepared pursuant to his instructions at my request. I offer it in evidence at this time so that it may take its place in order.

Examiner Reeves: The paper will be received in evidence, marked Commission's Exhibit No. 99.

(The document was thereupon received in evidence and marked "Commission's Exhibit No. 99.")

1780 *P. J. Rossiter—Direct.*

Mr. Haycraft: I have here the paper which was marked Exhibit 98. This is to be substituted for the copy that was marked Commission's Exhibit 98 the other day at Hartford.

P. J. ROSSITER, was thereupon called as a witness, and being first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. HAYCRAFT:

1781 Q. Will you state your name. A. P. J. Rossjter.

Q. What is your address? A. Manchester, N. H.

Q. What is your occupation? A. Electrical wholesale business.

Q. Do you work for yourself or are you employed by a corporation? A. A partnership.

Q. A partnership? A. Yes.

Q. And with whom are you in partnership? A. J. W. Rendall.

Q. What is the name under which you do business? A. The Granite State Electric Supply Co.

Q. And you do business in Manchester? A. Yes, Manchester, N. H.

1782 Q. What territory do you include in your sales efforts? A. Practically the entire State of New Hampshire and the bordering towns on the border of Massachusetts and the border of Maine.

Q. Do you travel salesmen? A. Yes.

Q. How many salesmen do you travel? A. One.

Q. Do you and your partner solicit business also? A. Yes.

Q. And what particular products do you handle? A. Supplies such as are used by electrical contractors—sockets, wire, cable, fixtures.

Q. And that includes what is known as electrical wiring devices? A. Yes.

Q. How long have you been in that business? A. Since 1923.

Q. During that period of time, that is, since 1923, have you had any business dealings with the Arrow Electric Co.? A. Yes.

Q. When did you first buy from them? A. 1925 or 1926, I should say, about. That is my information on that.

Q. I show you Commission's Exhibit 72, which is catalogue 21 of that company, and ask if you rec- 1784
ognize that? A. I do.

Q. And did you purchase the full line of devices as advertised in that catalogue or just certain items? A. Certain items, but we were in the position to obtain any we did want.

Q. What were the principal items that you bought from them? A. Sockets and switches would be the principal groups.

Q. About 1927, did you handle any other line of electrical wiring devices than the Arrow line? A. No, nothing in the line that Arrow made.

Q. What other lines of wiring devices did you buy? A. In 1927?
1785

Q. Yes. A. In volume of business, none. There were some switches—Levolier switches that we buy. Is that what you are trying to get at?

Q. Did you buy any from General Electric, Hubbell, and Hart & Hegeman? A. Except what we could not obtain from Arrow, because we were charged more.

Q. And you continued to handle the Arrow line in the same manner since that time? A. Until about December of the past year. At that time we

were made Bryant distributors, which is a similar line to Arrow.

Q. And why did you change over to Bryant? A. We felt that we had a competitor who was selling the same items that we were selling.

Q. Who is that? A. The Varick Co.

Q. Was the Varick Co. handling the Arrow line? A. No.

Q. What line was it handling? A. Hart & Hegeman.

Q. How long had they been handling the Hart &
1787 Hegeman line? A. I should say three years.

Q. About that time? A. About that time.

Q. When did you come to the conclusion that it was the same line as yours? A. About the consolidation for the bringing together of the Arrow and the Hart & Hegeman Co.

Q. When was that brought to your attention? A. Most a year ago; about a year ago.

Q. How did you learn that? A. The first notice I had—I suppose first it was a rumor, and then we heard about it, and then, afterwards, the Arrow and Hart & Hegeman letters would bear the title "Arrow-Hart & Hegeman Electric Co."

1788 Q. Back in 1923, who called upon you representing Arrow? A. Mr. Nelson.

Q. He continued to call since that time? A. Yes.

Q. Did any other saleseman representing that firm, besides Mr. Nelson, call on you? A. Yes, Mr. Nelson had some junior salesmen, one by the name of Mr. Peck, and Mr. Sykes. That is all I know.

Q. How did they come in contact with you? What did they do? A. They simply called on us to see if everything was all right and to see if they could help us. They tried to help us by calling on factories and contractors whom we were not selling.

Q. That is, they would call on them as missionary salesmen? A. Yes.

Q. And show them their line? A. Yes.

Q. Did they do that for you? A. Yes.

Q. They were quite active in soliciting business for you? A. No.

Q. Never had been active? A. No.

Q. During the past year, have they continued to make you offers of service of that kind? A. Continued to call, and if we had called on them for any service they would have given it to us.

Q. Did you discuss with Mr. Nelson the matter 1790
of selling their product through the Varick Co.? A. No, I did not. My partner did.

Q. During the period since 1927, has any salesman or representative of the Hart & Hegeman Manufacturing Co. solicited business from you? A. Solicited from us since 1927?

Q. Yes. A. No.

Q. Are you acquainted with the Hart & Hegeman line of articles? A. Yes.

Q. Are they the same as the Arrow line—or were they in 1927 up to, say, 1929, the same as the Arrow line? A. The Hart & Hegeman line was not as complete, as I recall it, from scanning the cata- 1791
logue, Hart & Hegeman had specialties which they made which I do not believe Arrow had, and Arrow had specialities which I do not believe Hart & Hegeman had.

Q. It would be both ways? A. Yes.

Q. How would you compare the quality of the two items? A. To the best of my knowledge, it would be about equal.

Q. Had you built up a rather substantial business in the Arrow line at the time that you changed over to Bryant? A. Yes, we thought so.

1792 *P. J. Rossiter—Direct.*

Q. What was the objection on your part to the distribution by the Varick Co. of the Hart & Hegeman line? A. We always made it a policy to keep individual lines of our own, and at the time of consolidation of the two companies, or since consolidation, it is now Arrow—he has practically the same items that Hart & Hegeman has.

Q. If he has Hart & Hegeman, he has the same as Arrow? A. Yes.

Q. In the sale of your Arrow line, had you noticed whether you always received Arrow products
1793 which were in Arrow containers, or did you find other containers? A. We found labels that were printed or pasted on original Hart & Hegeman containers, over which we found an Arrow label.

Q. In other words, your Arrow customers would receive an item in Hart & Hegeman containers with an Arrow label on top.

Mr. Gross: I object to that. He does not mean that.

Mr. Haycraft: Let us see.

Mr. Gross: Do not lead the witness. You have been leading him right along.

1794 Mr. Haycraft: I am just trying to summarize that statement that he made.

The Witness: Do you want me to state it again?

Mr. Haycraft: Yes.

The Witness: I contend that they had taken boxes or cartons, and we found pasted outside a Hart & Hegeman, label, and an Arrow label on top of that. I don't say that the item was not made by the Arrow; neither do I say that it was. It was made by the same company, to the best of my knowledge.

1795

Q. It was an Arrow item in the box? A. I don't know what the item was in the box, but the outside box would have a label on it, and that was an objection with us, because we did not want a customer of ours, to whom we sold the Arrow item, to have this label fall off or work off, and have him find that he was getting Hart & Hegeman.

Q. What other distributors of electric wiring devices are located in the State of New Hampshire? What other wholesale distributors are located there? A. J. J. Moreau, I understand, is a distributor.

1796

Q. Where are they located? A. In Manchester.

Q. Do you know what line they handle? A. Comparable lines to Arrow?

Q. Yes. A. Weber.

Q. At the present time, do you receive any orders from your customers, calling for Arrow products? A. We receive orders with Arrow numbers from our customers.

Q. How do you obtain your supply of Arrow products? A. The same manner as we did.

Q. You give that order to Mr. Nelson? A. Or send them to the factory.

Q. You give them to Mr. Nelson or send them to the factory? A. Yes.

1797

Q. Do you ever get any orders for Hart & Hegeman articles? A. We have had orders for them.

Q. How long ago? A. We get them now.

Q. How do you obtain your supply of Hart & Hegeman products? A. Now, if we want any Hart & Hegeman items, we would give the order to Arrow and specify the Hart & Hegeman number and initial.

Q. And that has been true since when? A. Since the consolidation.

1798 *P. J. Rossiter—Cross.*

Q. You figure that, so far as you know, is about a year ago? A. Yes, to the best of my knowledge.

Mr. Haycraft: I think that is all.

CROSS EXAMINATION BY MR. GROSS:

Q. This question of this container or box with an Arrow label pasted over an H. & H. label. The article inside that box was branded Arrow, wasn't it? A. I don't know what was inside the box. I never looked inside the box. I know the two labels were
1799 there.

Q. There weren't two labels visible? A. Not until it was pulled off; except if they weren't pasted on properly.

Q. It might have come in a Uneeda Biscuit box? A. Well, yes.

Q. The label on the box as it came did label the contents as Arrow? A. Yes.

Q. What was inside, was Arrow as far as you know? A. To the best of my knowledge, yes.

Q. You did not mean somebody was handing you something you did not order under a false label? A. Oh, no indeed.

1800 Q. Now, as I understand it, you still distribute Arrow goods when people want them particularly? A. Yes.

Q. And if a man wants Hart & Hegeman goods, you can still get Hart & Hegeman goods for them? A. Yes, sir, we have been able to obtain Hart & Hegeman goods.

Q. By sending the order in to the Arrow-Hart & Hegeman Electric Company? A. Yes.

Q. When you said, "send it to Arrow", you mean to the Arrow-Hart & Hegeman Electric Company? A. Yes.

1801

Q. Wasn't there a man named Weber that used to call on you? A. I don't recall.

Q. Schwollow? A. Yes, Schwollow.

Q. I understand that about the time you started business, or at least from 1925 or 1926, until within the past year, you have always carried as your main line the Arrow Electric goods? A. Yes.

Q. And that you stopped carrying it because Varick carried Hart & Hegeman? A. Yes.

Q. During the three years Varick had carried Hart & Hegeman, hadn't he? A. Yes.

Q. And you carried Arrow? A. Yes.

1802

Q. Was there any difference in the goods that you carried in those three years? The quality was the same? A. Yes.

Q. The articles were just the same in worth and satisfaction, weren't they? A. Yes.

Q. You wanted to be the exclusive distributor, virtually, in Manchester, for the Arrow-Hart & Hegeman goods, isn't that it? A. At that time we wanted to be the exclusive agent for Arrow.

Q. And after the consolidation, you wanted to be the exclusive distributor for the consolidation? A. Yes, that is true.

1803

Q. And the only reason you dropped it is because they would not drop Varick, who was distributing H. & H.? A. Yes.

Q. Up to that time, when you learned of this merger, the consolidation, which took place about a year ago—not longer than that—up to that time you would get all the Arrow goods that you wanted? A. Yes.

Q. And you could have Hart & Hegeman goods if you wanted them? A. Up to that time?

Q. Yes. A. Not from the Arrow Co.

Q. But you could not get them? A. Yes.

1804 *P. J. Rossiter—Cross.*

Q. You were not prevented from getting Hart & Hegeman goods? A. No.

Q. Now, this J. J. Moreau, did he carry Weber goods? A. Yes.

Q. And Varick carried Hart & Hegeman? A. Yes.

Q. And you carried Arrow goods during 1925, 1926, 1927, 1928, and for that matter, 1929, up to a year ago: you three concerns were all in active competition in the electrical wiring business?

1805 Mr. Hayeraft: I object to that as misleading. I do not think he testified that Varick had been handling it all that time.

Q. How long has Varick been in business in competition with you? A. About three years.

(Discussion off the record.)

Q. During the years 1927 to 1930, inclusive, you and Varick and Moreau were engaged in competition in Manchester and vicinity looking for the sale of your respective goods in stock to the electric wiring device consumers of that country? A. Yes.

1806 Q. There was no change in the distribution of those goods during that time so far as your dealings with these concerns were concerned? A. No.

Q. Competition continued as before? A. Exactly.

Q. The label that you objected to, was it because of the combined title, "Arrow-Hart & Hegeman" on it; was it because it had "Hart & Hegeman" as well as "Arrow" on the box? A. I cannot say that. There is a difference in color, or was, between Hart & Hegeman and Arrow. The Arrow color is yellow; the Hart & Hegeman was bluish. The dis-

1807

tinguishing feature of Arrow was a yellow label; with Hart & Hegeman it was blue, or grayish blue. These packages contained both labels, one on the other. It might have said, "Arrow-Hart & Hegeman" on both of them.

Q. Well, as I understand it, you did not want to handle anything that came from Hart & Hegeman? A. That is right.

Q. You wanted to handle exclusively Arrow? A. That is right.

Q. And nothing that did not show "Arrow" on it? A. Yes.

1808

Q. You believed in the Arrow line and wanted that exclusively as far as you could get it? A. Yes.

Q. And you gave it up because they would not give you the complete line for the two companies? A. That would not give us—I presume so.

Q. I mean, you gave up your large line of Arrow distribution because— A. We felt we had a competitor.

Q. As long as Varick was going on, you would not keep on? A. That is right.

BY MR. HAYCRAFT:

1809

Q. Do any other concerns now distribute the Arrow line in your territory in a wholesale way? A. Boston jobbers might go in there and sell it.

Q. There is no one located in Manchester or in that immediate vicinity? A. No.

Q. Do you know whether or not the Varick concern will take orders for Arrow? A. No, I don't.

Q. You don't know? A. No.

Mr. Haycraft: That is all.

(At this point, a recess was taken.)

WILLIAM H. GRANT, was thereupon called as a witness, and being first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. HAYCRAFT:

Q. Will you state your name? A. William H. Grant.

Q. Where do you live, Mr. Grant? A. Portland, Maine.

Q. What is your occupation? A. Department manager, Frank M. Brown Co.

1811

Q. In what business are they engaged? A. Wholesale distributors.

Q. Of what? A. Electrical supplies.

Q. Of what department do you have charge? A. Electrical supplies.

Q. What territory do you cover in your distribution? A. The State of Maine and certain parts of New Hampshire.

Q. Do you travel any salesmen? A. Yes.

Q. How many salesmen do you travel? A. We have two selling electrical supplies.

Q. How long have you been with the Frank M. Brown Co.? A. About two years.

1812

Q. What did you do before that? A. I worked for the Spencer F. Fearon Co.

Q. In the same capacity? A. Yes.

Q. For how long? A. About three years, I think.

Q. Before that, what did you do? A. I was with the Eastern Electric Supply Co.

Q. In the same capacity? A. Yes, sir.

Q. How long were you with them? A. About two years.

Q. In the present firm, the Frank M. Brown Co., what lines of electric wiring devices do you handle? A. Wiring devices?

1813

Q. Yes. A. Hart & Hegeman.

Q. That is the only line that you handle? A. It is the only line I am handling at the present time.

Q. Was that the line you were handling when you first came with them in 1929? A. Yes, sir.

Q. When you were with the Fearon Co. and the Eastern Supply Co., what line did you handle then? A. Which one, the Eastern Electric or Spencer Fearon?

Q. Either one.

Mr. Gross: State which one.

1814

A. Eastern Electric handled Arrow material. Spencer Fearon handled a little Arrow.

Q. Would you say the two lines were practically the same or different? A. Practically the same.

By Mr. Gross:

Q. You mean H. & H. and Arrow lines? A. Yes.

By Mr. Haycraft:

Q. At the time you were with Eastern Electric Supply Company, what Arrow salesman solicited your business? A. Mr. Nelson. 1815

Q. And after you went with the present firm, Frank M. Brown Co., did Mr. Nelson solicit your business for the Arrow Electric Co.? A. No.

Q. Or did any salesmen of the Arrow Electric Co. solicit that business? A. No.

Q. Who was the salesman that solicited your business for the Hart & Hegeman Co.? A. Mr. Karis.

Q. Did he do anything beside coming in and taking your order, and so on, or did he go out in a mis-

sionary capacity? A. Missionary work is a part of his line.

Q. What did he do along that line? A. Went out and introduced new items to the trade.

Q. To the trade you were selling to? A. Yes.

Q. What class of trade do you sell to? A. Electrical contractors.

Q. Principally. Do you sell any retail? A. Very little retail.

Q. Does Mr. Karis still call on you? A. He isn't in that territory.

1817 Q. Where is he now, do you know? A. I don't know for sure.

Q. Who solicits your Hart & Hegeman business now? A. Mr. Watts.

Q. Is it the same Mr. Watts who solicited for the Arrow Electric Co. previous to—that is, three or four years ago? A. I am not certain.

Q. Does Mr. Nelson solicit your business for the Hart & Hegeman? A. Well, he makes calls, not necessarily soliciting business.

Q. Is he in charge of the Hart & Hegeman business in that territory? A. As far as I know, yes.

Q. How long has that been true? How long has
1818 Nelson been in charge of Hart & Hegeman in that territory? A. I couldn't tell you exactly.

Q. Well, approximately? A. Approximately, I guess a little less than a year.

Q. Is that about the same length of time that Mr. Watts has been calling on you? A. He has been calling on me since the first of this year.

Q. Did Mr. Karis continue to call on you until the first of this year? A. Yes.

Q. What other distributors of electrical wiring devices are located in Portland? A. The General Electric Supply, Spencer F. Fearon Co., and Holmes Electric Supply Co.

1819

Q. Does any one of them handle the Arrow line? A. The Holmes Electric Supply does.

Q. Do you know how long the Holmes Electric Supply has been handling that line? A. Ever since it was established—since 1924, I think.

Q. Do you know whether or not Mr. Watts solicits the business from the Holmes Electric Supply Company for the Arrow line? A. I think he does.

Q. Did Mr. Nelson give you any explanation of why he was in charge of the Hart & Hegeman business, whereas he formerly represented the Arrow line— A. No.

1820

Q. —when he talked to you about it? A. No.

Q. Do you have any call at all for Arrow devices? A. No, sir.

Q. Has there been any change in the printed matter upon your containers in which your Hart & Hegeman products are now delivered and sold to your customers? A. Since when?

Q. At any time. Has there been any change? A. The change in labels went into effect, I suppose, when the consolidation went into effect.

Q. About how long ago did you first learn of that? A. I couldn't tell you definitely.

1821

Q. How long ago was it that you first observed that their labels were changed? A. I think the labels had been the same ever since I was in there —that is, the Hart & Hegeman Division.

Q. It would be "Hart & Hegeman Division of the Arrow-Hart & Hegeman Electric Company", is that the way it would read? A. Yes.

Q. Before that time, had you known or had you learned in any way that the Arrow Electric Co. and the Hart & Hegeman Manufacturing Co. were owned by a common owner? A. We had rumors that they were.

1822 *William H. Grant—Cross.*

Q. You don't recall any definite information to that effect? A. No.

Mr. Haycraft: I think that is all.

CROSS EXAMINATION BY MR. GROSS:

Q. Mr. Grant, you worked for the Eastern Electric Supply approximately in 1924 and 1925, is that about right? A. About the time I started to work for them?

Q. You were there two years; 1924 and 1925? A.
1823 Yes.

Q. Then, we will say, in 1926, 1927 and 1928 you worked for the Spencer Fearon Co.? A. Yes.

Q. What lines did Spencer Fearon carry, what makes? A. They handled Arrow Electric and Pass & Seymour.

Q. Who carried Hart & Hegeman in Portland at that time? A. Frank M. Brown.

Q. They were in business then? A. Yes.

Q. During that time, you were with the Spencer Fearon Co., 1926, 1927 and 1928, were the Spencer Fearon Co. and the Frank M. Brown Co. actively in competition with each other for the trade that
1824 they sold?

Mr. Haycraft: That is objected to for the same reason. I objected to that same line of examination the day before yesterday; first, it is not proper cross examination, and, second, it is incompetent, irrelevant and immaterial to the issues in this case.

Mr. Gross: The one issue is whether there is competition, and I can't understand my learned friend's—

1825

Mr. Haycraft: Well, we can't agree as to the issue. To me it is whether there is competition between the two manufacturers, Arrow and Hart & Hegeman. Counsel for the respondent seems to have another idea about that.

Examiner Reeves: The objection is overruled.

Mr. Haycraft: Exception.

Mr. Gross: Will you please read the question.

(The last question was repeated by the reporter.)

1826

A. Yes.

Q. Keen competition? A. Yes, sir.

Q. Was this General Electric Supply Co.—were they in business then?

Mr. Haycraft: Of course, my objection applies to that.

Examiner Reeves: Yes.

A. I don't think they were established then.

Q. Were there others? A. The Holmes Electric Supply.

Q. Were they going then? A. Since 1924, I think. 1827

Q. You were carrying Arrow, and Holmes was carrying Arrow? A. Yes.

Q. And you carried Pass & Seymour? A. Yes.

Q. Frank M. Brown carried H. & H.? A. Yes.

Q. So that during those three years, there were four concerns virtually competing in that territory for that business? A. Yes, sir.

Q. And the competition between those brands and between those houses to the trade continued just as intensively, and they were fighting each

1828 *R. J. McCabe—Direct.*

other for all the business in that territory all that time? A. Yes, sir.

Mr. Gross: That is all.

Mr. Haycraft: No further examination.

That concludes my case this morning. I have two witnesses subpoenaed for two o'clock daylight saving time this afternoon.

Examiner Reeves: The hearing will be adjourned to two o'clock daylight saving time.

(Whereupon, at 12.30 p. m., the hearing was
1829 adjourned to two o'clock p. m.)

AFTER ADJOURNMENT—2 P. M.

R. J. McCABE, was thereupon called as a witness, and being first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. HAYCRAFT:

Q. Will you please state the name. A. R. J. McCabe.

Q. Where do you live, Mr. McCabe? A. 7 Nor-
1830 ton St., Brookline, Mass.

Q. What is your occupation? A. Service manager to the Graybar Electric Co.

Q. How long have you occupied that position? A. Well—I have been with the present company 22 years.

Q. And where does it have its place of business here in Boston? A. 287 Columbus Avenue.

Q. How long have you been in the Boston office? A. Four years next October.

Q. In what business is the Graybar Electric Co. engaged? A. Electrical jobbing.

1831

Q. What devices does it handle? A. Practically all electrical material.

Q. Including electrical wiring devices? A. Yes.

Q. What line of electrical wiring devices does Graybar handle? A. Bryant, Hubbell and Hart & Hegeman.

Q. Was it handling Hart & Hegeman when you first came with them? A. Yes.

Q. That was in 1927? A. Yes.

Q. Would you say that you handle the full line of wiring devices of Hart & Hegeman as indicated in this catalogue, Commission's Exhibit 82? A. No, I don't.

1832

Q. What do you handle in that line? A. I should say—I don't know how many items there are in this, but I don't suppose we have 20 percent of the items that are shown in their catalogue. I suppose it would be less than that.

Q. What items would that be? A. That would be hard to pick out. It would be sockets, switches, plates, receptacles,—those are the largest items.

Q. Those are the principal items? A. Yes.

Q. Who connected with the Hart & Hegeman Manufacturing Co. solicited the business of Graybar Electric Company?

1833

Mr. Gross: When do you mean, Mr. Haycraft?

Mr. Haycraft: When he first went there.

Mr. Gross: 1927?

Mr. Haycraft: Yes.

A. I think Mr. Saladine was contacting us at that time.

Q. Any other salesmen? A. Since then a salesman by the name of Watts.

1834

Q. Does Mr. Watts still call on you? A. Yes.

Q. Does Mr. Saladine still call on you? A. At times. He just makes a visit.

Q. What was his position in 1927? A. He had charge of the local office. That is my understanding of it.

Q. Of the Hart & Hegeman Manufacturing Co.? A. Yes.

Q. Is he still in charge of that office, as far as you know? A. No, I don't know—he may be indirectly.

1835

Q. Have you met any one else in the Boston office of the Hart & Hegeman Co.? A. Yes.

Q. Whom else? A. Mr. Nelson.

Q. When did you first seem him? A. When Mr. Saladine left for Hartford.

Q. When was that? A. I should say approximately a year and a half ago,—something like that.

Q. Has Mr. Nelson continued to represent the Hart & Hegeman line in Boston since that time? A. Yes.

Q. About what percentage of your business would you say was the Hart & Hegeman product? A. I could give you an estimate only on that. I don't know how it is today, but I would say it was about during the past three or four years that I have been there, 20 percent of the business.

1836

Q. You are a general jobber, then, of various wiring devices, and did not at any time handle one particular line? A. No.

Q. Do you receive any sales service or any assistance in selling the Hart & Hegeman line? A. Yes.

Q. And did you in 1927? A. Yes.

Q. What does that service consist of? A. Why, their representatives call on the architects and contractors and industrials, and attempt to create a

1837

demand for their line. They tell them that we stock the material.

Q. Any orders that they might obtain are turned over to you? A. No, they have other jobbers. The customers express their preference as to who is to receive the order.

Q. Do you know who the other jobbers in Boston are? A. Yes. Wetmore Savage. I think that is all.

Q. During this period of time that you have been there, has any representative of the Arrow Electric Co. called on you to solicit your business? A. No, sir.

1838

Q. Were you acquainted with the local representative of the Arrow Electric Co.? A. Their local representative?

Q. Yes. A. Not until the Hart & Hegeman took them over.

Q. That is, not until Mr. Nelson came to see you? A. Yes.

Q. Do you know of any reason why Arrow Electric Co. did not solicit your business? A. They might have solicited it through some other source—through somebody else up there.

Q. Who else would be the one for them to solicit through? A. Fitzpatrick or Mr. Davis.

1839

Q. Have you handled any Arrow products at all? A. No.

Q. Do you know of any reason why you would not or do not handle it? A. Why, we have three lines now, and we consider that enough to take care of any business in schedule material.

Q. Will you explain for the record what you mean by schedule material? A. Wiring devices.

Q. Do you know who the local distributors of the Arrow line are? A. No, except in a general way.

1840 Q. Are you acquainted at all with the Arrow line? Do you come in contact with it? A. Yes, just from naturally being for 22 years associated in the business, you know something about it.

Q. Compared with the Hart & Hegeman line, what would you say about it? A. Do you mean from a quality standpoint?

Q. The various articles included in that. A. I would not know about the two lines to make any decision on that.

1841 Mr. Haycraft: I think that is all.

CROSS EXAMINATION BY MR. GROSS:

Q. As you know the Arrow line, so far as you know it, would the Arrow material appeal to the type of customer Graybar in Boston caters to? A. You are talking from a quality standpoint?

Q. From what appeals to you, as to carrying or not carrying it? A. No, we would not want to carry it.

Q. Who carries it among your principal competitors in Boston? A. Why, it is only—

1842 Mr. Haycraft: He said he did not know, on direct examination.

A. (Continued) It is only in a general way that I know that. I couldn't tell you who they are.

Q. You have been with the Graybar here in Boston, as I understand it, for four years? A. Yes.

Q. That takes you back into 1927? A. Yes, four years in October.

Q. You came with the Graybar just at the time the holding company was formed, in 1927? A. Yes.

1843

Q. You were with the Graybar Company before you came to the Boston territory? A. Yes.

Q. In the Boston territory, since you have come with the Graybar Company, has Arrow, Hart & Hegeman, Pass & Seymour, General Electric, Weber, and all the rest of them, in the trade, been in active, keen competition? A. Yes.

Q. And it is just as keen as ever? A. So far as we find it, yes.

Q. Just an immaterial thing, but so that the record may be straight: Wasn't Mr. Albert Mann the Hart & Hegeman man that you first knew before Mr. Saladine? A. I never met him.

1844

Q. You never met Mr. Saladine? A. Until quite recently, but I never met him when he was representing the Hart & Hegeman Co.

Mr. Gross: That is all. Thank you.

REDIRECT EXAMINATION BY MR. HAYCRAFT:

Q. You were asked whether or not, as you knew the Arrow line, whether you would demand it or want it, and you replied you would not want to carry it. Will you explain why you made that answer? A. Well, that is—I would not want to carry it because—well, it is a line that I felt that the prices have not been just exactly healthy all the time.

1845

Q. Will you explain your answer on that. A. Competition is such that we simply could not meet that competition and have a normal profit.

Q. Would that be true now, or when you first came to Boston? A. That I couldn't tell. I don't think it has changed. I don't know. That is a general impression that I have from a lot of things

1846 *R. J. McCabe—Redirect.*

that you could not tell just where you get them, but—

Q. By that you mean that the jobbers who handled that line were allowing price concessions that you could not allow on the line you were handling? A. I would say possibly.

Q. So far as the quality is concerned, or the merits of the two lines—the Arrow line is equal to the Hart & Hegeman line? A. I don't know enough about the two lines to state that.

Q. This statement that you made, is that based
1847 upon the information that you obtained in the trade, from your customers or salesmen, or just where did you get that information? A. Well, both ways. It is just—if you were to ask me to point out some specific instance, I could not do it, but over a period of time, why, that is the impression I have of it.

Q. Of course, you are speaking now of the impression that you received since you came to Boston? A. Yes.

Q. Counsel for respondent asked you the question with respect to the keenness of the competition between the various manufacturers of wiring de-
1848 vices. I will ask you if you included in the answer the competition which had heretofore existed or might exist between the Arrow Electric Co. and the Hart & Hegeman Manufacturing Co. A. I don't quite get your question.

Q. Whether there is any competition between the Arrow Division of the Hart & Hegeman Co. and the Hart & Hegeman Division of the same organization, so far as you know? A. So far as our account is concerned, no, because we only handle the one line.

Mr. Haycraft: That is all.

1849

By Mr. Gross:

Q. You do notice competition between the two divisions in this territory, don't you? A. Well, from our competition—I answered that question before—from the competition we met in quoting.

Mr. Haycraft: That was between the distributors; not between the two divisions.

Q. The goods of the two divisions are in active competition in this territory? A. Yes.

Q. Just as active as ever? A. Yes.

1850

Q. That question of price that you are talking about was a question of the jobbers to their trade? A. Yes.

By Mr. Haycraft:

Q. Was that what you had in mind in answering the question propounded by Mr. Gross when he first asked you about the competition between the various lines? The question was not worded that way exactly, and I am asking you whether the competition was between the distributors rather than the manufacturers? A. Yes, it was.

1851

Q. So far as you know, there is no competition between the two divisions of this Arrow-Hart & Hegeman Electric Co. for the Arrow line or the Hart & Hegeman line in selling to the jobbers? A. Yes, there is. They have got men calling on the trade for Hart & Hegeman and also men for the Arrow.

Q. But would that necessarily mean that there is competition, if they were under the same sales manager? A. Well, I couldn't answer that.

1852 *Edward Loman—Direct.*

By Mr. Gross:

Q. You had three lines as I understand it; you carried three lines of wiring devices? A. Yes.

Q. You did not want a fourth? A. Yes.

Q. And that was known? A. Yes.

Q. There wasn't anything for the Arrow man to solicit? A. I can't answer that question.

Mr. Gross: That is all.

Mr. Haycraft: That is all.

1853 (At this point a recess was taken.)

Edward Loman, was thereupon called as a witness, and being first duly sworn, testified as follows:

Direct Examination by Mr. Haycraft:

Q. Will you state your name? A. Edward Loman.

Q. Where do you live, Mr. Loman? A. 37 Edgermont Road, Brighton.

Q. What is your occupation? A. Well, I guess
1854 they call me the purchasing agent.

Q. For what firm? A. Milhender Electric Supply Co.

Q. How long have you occupied that position? A. Ever since the firm started in 1923.

Q. In what business is it engaged? A. Selling electrical supplies. Any description.

Q. What class of trade? A. Contractors, dealers, power companies.

Q. Do you have salesmen out traveling? A. On the road, yes.

Q. How many? A. Why, I think about a dozen.

Q. What particular type of electrical wiring devices do you handle? A. Of that line, 95 per cent Hart & Hegeman. 1855

Q. What other? A. A little Hubbell, a little Pass & Seymour; and a little Arrow once in a blue moon.

Q. Who solicits your business from Hart & Hegeman? A. A salesman by the name of Karis.

Q. How long has he been soliciting from you? A. I guess he has been with the company 10 to 15 years, around that.

Q. Do you know who was in charge of the Boston office of the Hart & Hegeman Co. back in 1927? A. I don't think they had their own office here, as I remember. 1856

Q. How were they represented? A. By an agent, by the name of Mann.

Q. Who succeeded him? A. Who succeeded him?

Q. Yes. A. They put in their own office.

Q. Who was their office man here? A. Mr. Saladine, of the H. & H. Company.

Q. And is he still their local representative? A. He is not. He is now at the factory.

Q. Who is the local representative? A. Mr. Nelson.

Q. How long has he been in charge? A. I guess since over a year or a year and a half, or so. 1857

Q. During the period of time, say, since 1927, up to the present time, did any one solicit your business for the Arrow Electric Co.? A. Mr. Nelson has, yes.

Q. The same Mr. Nelson who is now in charge of Hart & Hegeman? A. Yes.

Q. Does the Hart & Hegeman Co. render any service in the way of helping you to make sales of your product? A. Oh, yes, very much.

1858 *Edward Loman—Direct.*

Q. What? A. Mr. Karis calls on our accounts and tries to get us all the business he can. He talks with contractors and dealers.

Q. Do the Arrow salesmen do the same thing? A. Yes, I understand they do.

Q. At the present time? A. Yes.

Q. Who are the salesmen? A. I don't know them very well, because I don't have as much to do with them as with the H. & H. men. Weber is one of them. He is the one I know mostly.

Q. Does he still call on you in an attempt to get
1859 you to buy Arrow products? A. He was in the other day.

Q. How long ago? A. One day last week it was.

Q. What did he have to say? A. Why, I had an order to transfer to H. & H., which Mr. Nelson didn't like very much.

Q. And what did Mr. Nelson say about it? A. The usual kidding.

Q. Did Mr. Nelson try to get you to fill the order with Arrow products? A. Well, he tried to, because I think he liked to have that division ahead of the H. & H.

Q. Is he in charge of both divisions? A. So I
1860 understand now.

Q. How are the articles that you have handled stamped or labeled? A. H. & H.

Q. And how are the containers, the containers that come to you now? A. The containers that come to us now are marked "H. & H. Arrow." That is, the H. & H. Division of the Arrow-H. & H. Company.

Q. H. & H. Division of the Arrow-Hart & Hegeman Electric Company? A. Yes.

Q. How long have they been coming to you that way? A. I don't know.

Q. You don't remember when you first noticed it? A. No.

Q. Have you seen any items or any devices marked "Arrow-H. & H."; both brands on it? A. Not yet.

Q. Have you had any conversation with Hart & Hegeman salesmen with respect to those brands? A. Yes, I understand that on the new items, that they are going to be marked "Arrow-H. & H."

Q. Who told you that? A. Mr. Karis.

Q. Do you know what jobbers in Boston are handling the Arrow line? A. Voye Electric Supply Co. is the biggest distributor.

Q. Were you acquainted with the Arrow products in, say, 1927? A. Well, I know them, but not as long as I know the H. & H.

Q. Do you know whether or not the lines are similar, or are they different? A. The lines are similar on new items, but they have each old items that each does not make.

Q. At the present time, on the new ones— A. All the new ones that are coming out are the same. They are using the same catalogue numbers.

Mr. Hayeraft: That is all.

CROSS EXAMINATION BY MR. GROSS:

Q. I think you perhaps misunderstood, or perhaps I misunderstood, the last question. You said the new items are coming through "Arrow-H. & H." You have never seen any, have you? A. No, not yet.

Q. All the goods that you carry are marked "Arrow"? A. They are either Arrow or H. & H.

Q. Separately? A. Yes, separately, not together. I have not seen one yet.

1864 Q. Now, in 1927, was the Voye Electric Co. then the biggest Arrow distributor, as far as you know? A. I don't think so, but I think the Lewis Electric Co. was a large distributor. They are now out of the supply business.

Q. The competition between your company and Lewis and other concerns here in Boston for getting the business from the contractors, builders, and so forth, was keen in 1927, was it?

Mr. Haycraft: I just want to place my ob-

1865 jection on the record as to this line of examination.

Examiner Reeves: The objection is overruled.

Mr. Haycraft: Exception.

Q. It was keen in 1927? A. Yes.

Q. And continued through 1927 and 1928? A. Yes.

Q. Is it keen now? A. It is keener now.

Q. Keener now? A. Yes.

Q. And competition since H. & H. was handled by the Voye Electric Co., is just as keen? A. Just as keen, if not keener.

1866 Q. Do you think it is going to be keener when they have the trade-mark "H. & H. and Arrow"? A. Yes. Of course, there are contractors and wholesalers who refuse to use H. & H. or Arrow.

Q. What are they going to do? A. I haven't seen the—

Mr. Haycraft: I object to that.

Examiner Reeves: Sustained.

Mr. Haycraft: I move to have the answer stricken out.

Examiner Reeves: It may be stricken.

1867

Q. This label; the label has H. & H. Division, where it used to say "H. & H. Manufacturing Co."? A. Yes, H. & H. Division.

Q. The label still indicates it is H. & H. goods? A. Oh, yes.

Q. And the same color? A. The same color.

Q. And the same get-up? A. Yes.

Q. The only difference is the "Arrow-Hart & Hegeman Electric Co."? A. Yes.

Q. But it is clearly differentiated between the two divisions? A. Yes.

By Mr. Haycraft:

1868

Q. The articles are the same as you can buy from the Arrow Electric Division? A. They are all the same price. They are all different catalogue numbers and they are all different prices.

Q. And they are manufactured in the same place?

Mr. Gross: He doesn't know that.

A. I don't know. They have half a dozen plants down there where they make these different things.

Mr. Haycraft: I guess that is all.

Mr. Gross: That is all. Thank you.

Mr. Haycraft: I ask an adjournment to 11.30 o'clock daylight saving time June 5, at New York.

1869

Examiner Reeves: The hearing will be adjourned to Friday, June 5, 1931, at 11.30 o'clock a. m., daylight saving time, to reconvene in Room 200, 45 Broadway, New York City.

(Whereupon, at 3.45 p. m., June 3, 1931, the hearing was adjourned to June 5, 1931, at 11.30 a. m. daylight saving time in Room 200, 45 Broadway, New York City.)

Room 520, 45 Broadway, New York City.

June 5, 1931.

Met pursuant to adjournment, 11:30 A. M., day light saving time.

Before—WILLIAM C. REEVES, *Examiner.*

APPEARANCES:

E. H. HAYCRAFT, Attorney for the Federal Trade Commission.

CHARLES WELLES GROSS and WALLACE W. BROWN, of GROSS, HYDE AND WILLIAMS, 49 Pearl Street, Hartford, Connecticut, Attorneys for the Respondent.

PROCEEDINGS.

Examiner Reeves: You may proceed, gentlemen.
Mr. Haycraft: I will call Mr. Colyer.

ARNOLD S. COLYER, was thereupon called as a witness, and being first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. HAYCRAFT:

Q. Will you please give your full name? A. Arnold S. Colyer.

Q. What is your address? A. 180 Varick St., New York City.

1873

Q. What is your occupation? A. Buyer for the Graybar Electric Co., Eastern Division.

Q. In what business is that company engaged? A. Electrical jobbing business.

Q. How long have you occupied that position? A. Ten years.

Q. What products do you handle? A. The products that are necessary in the construction of buildings; electrical equipment and appliances.

Q. And what class of trade do you sell to? A. Contractors and industrials.

Q. Do you travel any salesmen? A. Yes, sir.

1874

Q. What territory do they cover? A. Our salesmen cover the entire States of New York, Connecticut, and the northern half of New Jersey.

Q. How many salesmen do you travel? A. Approximately 43.

Q. Have you had any business dealings with the Hart & Hegeman Manufacturing Co.? A. Yes, sir.

Q. When did those business dealings begin? A. I think before I was with the company, and I have been with the company 17 years.

Q. What products did you buy from them, say, back in 1927, four years ago? A. Material which we had call for from our contractor accounts,

1875

which was specified.

Q. What would that include? A. Primarily I should say switches and plates,—commodities of that character.

Q. Sockets, plugs? A. Possibly plugs. I would not say very many sockets.

Q. And have you continued to deal with that concern since that time? A. Yes, sir.

Q. In 1927, who solicited your business from the Hart & Hegeman Manufacturing Co.? A. I should say Mr. Wilson. I am not sure.

1876

Q. What position did he occupy in that organization, if you know? A. I don't know.

Q. How often would he call on you? A. He saw us once every three months, I should say.

Q. Did you receive the catalogues of the Hart & Hegeman Manufacturing Company at that time? A. Yes, sir.

Q. Do you recognize Commission's Exhibit 67 as one of such catalogues? A. Yes, sir.

Q. How would you submit your orders for the products listed? A. By their catalogue number.

1877

Q. Did you mail them in or give them to the salesmen? A. Mail them in to the Hartford address.

Q. Did they give you any service, that is, missionary service; would the salesmen call on manufacturers and interest them in the Hart & Hegeman line? A. I don't know, but I believe they did.

Q. Did you receive any orders obtained in that way? A. I could not say.

Q. Did Mr. Wilson continue to solicit your business since 1927? A. Yes, sir.

Q. Until when? A. Up to possibly two years ago —a year or a year and a half ago.

1878

Q. And then who solicited that business? A. The last person I remember seeing was Mr. Saladine.

Q. What are Mr. Saladine's initials? A. J. W.

Q. Where did he come from, out of what office? A. From the Hartford office.

Q. Do you remember when he first called on you? A. No, sir, I don't.

Q. Has he continued to solicit business since that time? A. I think Mr. Saladine has been in three or four times since; in fact, I know he has.

1879

Q. Has any one else solicited the Hart & Hegeman business? A. Yes, sir, there is one other New York salesman whose name I do not recall.

Q. Is it Mr. Deacon? A. I think that is the name.

Q. Is it this gentleman sitting right over there? A. No, that is not the man who came down with Jack Saladine. No, I don't think he is. I remember he came down and introduced him to me, but I don't recall his name.

Q. At the present time, how do the Hart & Hegeman products come to you; that is, what brand or label appears on the containers or box in which they are shipped? A. I can't answer that, because I haven't looked at them.

1880

Q. Have you seen a recent catalogue of the Hart & Hegeman Manufacturing Company? A. Yes, sir.

Q. Can you identify this exhibit 82 as their latest catalogue? A. I think it is their latest; it looks like it.

Q. I notice on the inside that the descriptive matter has Hart & Hegeman Division of the Arrow-Hart & Hegeman Electric Company? A. Yes, sir.

Q. How long have you understood that the Hart & Hegeman Manufacturing Company was a part of the Arrow-Hart & Hegeman Electric Company? A. I really don't remember. There was a circular letter which came, but I don't recall when it was.

1881

Q. I show you a copy of Commission's Exhibit 18, and ask if you recognize that as a copy of the circular letter? A. No, sir.

Q. Do you have any recollection of receiving that letter? A. The letter which I refer to was a much shorter letter.

Q. Do you have any idea about how long ago it was that you received it? A. No, I have not.

1882 *Arnold S. Colyer—Direct.*

Q. During that period of time, from 1927 to the present time, has any representative of the Arrow Electric Co. solicited your business? A. I don't recall ever seeing anybody from them, no.

Q. Had you purchased any products from the Arrow during that time? A. Yes, sir.

Q. Would that be substantial or otherwise? A. That would be otherwise.

Q. How do you account for the purchases that you have made? A. They have been specified on orders that we received; either contractors or in-

1883 dustrial accounts.

Q. Did your salesmen solicit that item from your customers? A. No, sir.

Q. What business do they solicit, what line? A. They solicit eight or nine hundred lines.

Q. I mean, of this particular type, wiring devices? A. It is whatever is called for in the engineers' specifications; in the architects' specifications.

Q. Are you acquainted with the Arrow line; that is, have you seen the products in the trade? A. No, I have not.

Q. Have your salesmen reported to you with re-

1884 spect to items that are sold by the Arrow Electric Co. or the Arrow Division of the Arrow-Hart & Hegeman Electric Co.? A. I don't recall any reports.

Q. By that—what I am trying to get at is, do you know the type of product that is sold by the Arrow Division of the Arrow-Hart & Hegeman Electric Co.? A. I have an idea of the type of material.

Q. How would it compare with the Hart & Hegeman line? A. Are you talking about 1926?

Q. Talking about 1926 and 1927 and also the present time. A. I would say they—the items were similar to that made by the Hart & Hegeman Manufacturing Co.

Q. How about the present time? A. I had a look at one of their new catalogues.

Q. You had one in your office? A. I believe there is one there, yes, sir.

Q. I call your attention to Exhibit 81, and ask if you can identify that? A. Yes, sir.

Q. What would you say then as to their products at the present time? A. I would say they had a similar line at the present time.

Q. Do you know who is in charge of the New York office of the Hart & Hegeman Division of the Arrow-Hart & Hegeman Electric Company, at the present time? A. I couldn't say right offhand.

Q. Did you ever meet Mr. Deacon? A. No, I never have, except here today.

Q. Did Mr. Saladine acquaint you with any change in the sales organization of the Hart & Hegeman Manufacturing Co. after the death of Mr. Wilson? A. No, sir.

Q. He didn't discuss that with you? A. No, sir.

Mr. Haycraft: I think that is all.

CROSS EXAMINATION BY MR. GROSS:

Q. Mr. Colyer, in 1927, if you recall, what other lines of electrical wiring devices did you carry besides H. & H.? A. Bryant and Hubbell.

Q. Did you carry H. & H. in large stock, or not substantial? A. Not substantial.

Q. In other words, you selected from H. & H. or Bryant or Hubbell the particular lines that were

called for in your particular trade? A. That which was covered by the contractors' specifications.

Q. In other words, you were carrying goods, ordered goods, or carried goods in stock which you believed best in the trade to which you catered? A. Yes.

Q. Was competition in 1927 with other electrical jobbers keen in New York?

Mr. Haycraft: That is objected to for the same reason.

1889 Mr. Gross: The same question that we had before?

Mr. Haycraft: Yes.

Examiner Reeves: I think that on previous occasions I overruled the objection, and I believe that possibly the objection should have been sustained in some instances, because it is probably asking the witness to state a conclusion, rather than a fact.

Mr. Gross: I do not want to argue with the Examiner, but it seems to me that a gentleman who is buying and selling electrical wiring devices knows whether he has competition.

1890 Examiner Reeves: Have him state that he has competition.

Q. Who were your principal competitors that you had in selling your goods here in New York City, say, in 1927? A. The General Electric Co., Westinghouse, Crannell, Nugent & Kranzer, and Stanley & Patterson.

Q. Were those concerns soliciting trade from the same the substantial class of trade that you were? A. Yes, sir.

Q. Were they all active in promoting their line? A. Yes, sir.

Q. What are some of the lines that those other people carried?

Mr. Haycraft: I understand the same general objection goes to this line of examination.

Mr. Gross: This is not a conclusion; it is a fact.

Mr. Haycraft: I want my objection to his interrogation of the witness in respect to competition between himself and other distributors.

Mr. Gross: I thought that was the issue,— competition. 1892

Mr. Haycraft: Between the manufacturers.

Examiner Reeves: The objection will be overruled.

Mr. Haycraft: Exception.

(The last question was repeated by the reporter.)

A. I am not in a position to tell you definitely. I don't know what other makes. Some carry similar lines to which we carry.

Q. Does General Electric have a line being dealt in? A. General Electric, yes, sir. 1893

Q. Does Pass & Seymour have a line here being dealt in in New York? A. Yes, sir.

Q. At that time, in 1927? A. Yes, sir.

Q. Hubbell? A. Yes, sir.

Q. Do you know of the Arrow being carried at that time? A. I don't know.

Q. Was there any change in 1927 and 1928, that is, for those two years, in the activity of your competitors and in the trade generally in New York for business? A. I am not prepared to answer that question unless I made comparisons.

1894 *Abe Lipsky—Direct.*

Q. Has that competition that you testified in 1927 continued at the present time? A. Yes, sir.

Mr. Haycraft: I move to strike out the last answer. As I understand it, the Examiner has sustained my objection to that as a conclusion.

Q. Whether that still exists in 1931. A. I think so.

Q. Has there been any let-up in the H. & H. Division in the sale of its goods, not only to you, but
1895 in promoting sales to the ultimate consumer? A. I really don't know.

Mr. Gross: I think that is all.
Mr. Haycraft: That will be all.

ABE LIPSKY, was thereupon called as a witness, and being first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. HAYCRAFT:

Q. What is your name? A. Abe Lipsky.
1896 Q. Where do you live? A. Newark.
Q. New Jersey? A. Yes.
Q. What is your occupation? A. Electrical supplies.
Q. Do you operate under your own name or under a corporation? A. A corporation; the Monarch Electric Supply Co.
Q. How long has the Monarch Electric Supply Co. been engaged in that business in Newark? A. Since 1925, the first day of 1925.

1897

Q. Included in the electrical supplies that you handle, are there what are known as electrical wiring devices? A. Yes, sir.

Q. During the period of time since you were organized, have you had any business dealings with the Hart & Hegeman Manufacturing Corporation? A. Yes, sir, we started with the Hart & Hegeman line when we first started business. It was the first line we had.

Q. And have you continued to sell their products? A. Yes.

Q. Since that time? A. Yes, and we have some additional lines today.

1898

Q. What additional lines do you handle? A. In between 1926 and 1927, we had the Arrow line, and then we took on the P. & S. and Hubbell and Bryant.

Q. Which is the principal line? A. Hart & Hegeman.

Q. Who called on you first in soliciting the business in the sale of the Hart & Hegeman line? A. A fellow by the name of Ross.

Q. Ross? A. Yes. He is working with Pass & Seymour now.

Q. Did he come out of the New York office? A. Yes, sir.

1899

Q. I show you Commission's Exhibit 67, and ask if you recognize that as a catalogue of the Hart & Hegeman Manufacturing Company back in 1927? A. It is hard for me to recognize that, because we have only—they have special sheets in a binder that we use ourselves.

Q. You have your own catalogue? A. Yes.

Q. Has Mr. Ross continued to solicit your business since 1927? A. Since 1927 or 1928; that is when he quit his job.

Q. Who solicits your business now for the Hart & Hegeman products? A. Fellow by the name of Gabry.

Q. Does he also travel out of the New York office? A. Yes, he works in the New York office.

Q. Does he still call on you? A. Yes, sir.

Q. Did he ever tell you who was in charge of the New York office at the present time? A. I never had any occasion to ask him that and he never told me.

Q. What territory do you cover in your sales?
1901 A. Just New Jersey.

Q. What class of trade do you sell to? A. Electrical contractors and some stores.

Q. That is, retail stores? A. Hardware stores and the smaller electrical stores.

Q. You say at one time that you handled the Arrow line, in 1926 and 1927? A. Yes, sir.

Q. Did you continue to handle that line from that time on? A. No, for a year or a year and a half, and then we gave it up.

Q. Why did you give it up? A. Because they had too many distributors to suit us; H. & H. had less, and we figured we started with H. & H., we ought
1902 to give them a better break on their merchandise.

Q. How would that affect your business, by the number of distributors? A. The majority of the customers call for H. & H. material even today.

Q. How would that, the larger number of distributors, affect your business? A. It didn't affect our business at all.

Q. Why did you give it up? A. Because we did not want to have too many lines. At that time we had about five. I spoke to my partner and said: "We carry too many lines," and we decided to remain on Pass & Seymour and Hart & Hegeman and Hubbell.

Q. At that time, in 1926 and 1927, who was selling the Arrow goods in the Newark territory? A. I couldn't just recall his name. 1903

Q. I mean, what wholesalers and dealers? A. The Arrow line?

Q. Yes. A. About five or six of them.

Q. Do you remember the names of them? A. There was the Eastern Electrical Supply Co., the Beller Electric Supply Co., the Star Electric Supply Co., the Newark Light Company, the New Jersey Electric Supply Co. and the Monarch.

Q. And do all of them still handle the Arrow line? A. I don't think so. I think Beller hasn't, and Monarch hasn't, but the rest of them I don't know. 1904

Q. You don't recall who solicited your business from the Arrow Co. back in 1926 and 1927? A. No, I couldn't recall his name, but he is a tall fellow, a six-foot fellow.

Q. Did Mr. Webster? A. Yes, that is right, that is his name.

Mr. Gross: What year was that?

The Witness: In 1926 and 1927.

Q. That is the man who solicited the Arrow business? A. Yes. 1905

Q. How long did Mr. Webster solicit that business? A. For about a year and a half, until we gave it up.

Q. Do you know where he is now? A. No, I don't.

Q. Who succeeded Webster in soliciting the Arrow line? A. Mr. Durant.

Q. How long did he solicit your business? A. Why, he came in there once in a while, because we gave it up after Webster left, and he used to come in and try to get some business, until he stopped coming.

Q. How long has it been since he has been in there? A. About four years ago.

Q. Has any other salesman representing the Arrow Company come to see you during that time? A. No.

Q. Are you acquainted with Mr. Deacon? A. Yes.

Q. Was he in charge of the Arrow business in 1927 for the New York office? A. Yes, sir.

Q. Do you know what position he now holds in the organization in New York? A. Who?

Q. Mr. Deacon? A. I believe he is general sales
1907 manager for New York.

Q. Of what? A. Of Arrow-Hart & Hegeman, today.

Q. When did you first learn that he was in charge of both divisions? A. I can't recall that.

Q. How do the containers that contain the Hart & Hegeman products come, that is, how are they labeled now? A. White labels.

Q. What is printed on them? A. I never took any attention of that.

Q. Has it just "Hart & Hegeman" on it, or has it— A. I believe it has "Hart & Hegeman Division of the Arrow Electric Co."

1908 Q. Arrow-Hart & Hegeman Electric Company? A. Something like that.

Q. How long have they been stamped like that? A. For about a year and a half, or so.

Q. From your knowledge of the two lines, would you say that they were different lines or about the same products? A. Well, before the Arrow was always a bigger line than Hart & Hegeman Co., more progressive. The rest of the manufacturers followed in three or four months after. Today, I guess, they have the same line together.

Q. In other words, Arrow had usually a broader line? A. Yes, more progressive than any other manufacturer.

Q. Did their sales policy have anything to do with the dropping of their line? A. No; always made demand for that H. & H. line.

Q. Will it refresh your recollection by reading the second paragraph of the paper I hand you now (Handing paper to witness)? A. That is what I said.

Q. I ask you again whether or not the sales policy of the Arrow Company had anything to do 1910
with the dropping of their line? A. I couldn't recall that. The only reason we gave it up was because we had too many lines at that time, and we figured the two lines are pretty near alike—the receptacles and switches, and we figured one line would be enough for us, and that is the only reason we gave it up.

Q. That is, the same products with different brands? A. Yes, that is, all different labels, but their switches, receptacles and sockets and whatever they make are alike.

Q. At the time you gave up the line, who was calling on you for the Arrow Electric Co.? A. It 1911
was Webster.

Q. Webster and Deacon? A. Deacon used to come in about every six months.

Q. Did they ask you for an explanation why you gave up the line? A. No, they were trying to get business, but we told them that we couldn't afford to handle it. It is hard to remember. It is three or four years ago.

Q. Did the salesmen of the Arrow Electric Co. help you in getting business from your customers by calling on them and interesting them in the

1912 Arrow line? A. I never heard of any complaints like that.

Q. I mean, did they ever try to get orders for you? A. The Hart & Hegeman salesmen?

Q. No, the Arrow salesman. Did he try to interest your customers in that line? A. I don't think they had any missionary men at that time. They had a fellow, I believe, who used to call on jobbers only.

Mr. Haycraft: I think that is all.

1913 CROSS EXAMINATION BY MR. GROSS:

Q. It is a fact that the articles of the H. & H. and Arrow are substantially the same? A. Generally, on the main lines.

Q. Isn't that also true with Pass & Seymour and Hubbell and Bryant lines? A. Well, Pass & Seymour only recently started to break into these lines. They are making more than they used to. They used to be interested in their porcelain line only; they never cared for any switches. It is only two years now that they started in that.

1914 Q. How about Hubbell or Bryant? A. Hubbell had a policy years ago that they only used to sell to one distributor in every town. If they had one distributor, they had enough for them.

Q. Did you have the Hubbell line? A. No, not at that time.

Q. Who had it at that time, in 1927? A. The Newark Electric Supply.

Q. Who had the Bryant line then? A. The Bryant was also Newark; also Westinghouse.

Q. What are the four lines that you had at that time? A. We had the Arrow and Hart & Hegeman

and Pass & Seymour, and—that was in the beginning of 1927—we took in the Hubbell.

Q. And you still have it? A. Yes.

Q. What were the two other lines that you had, of your five or the other one? A. We had for a short time Weber.

Q. The Weber line? A. Yes, but our customers did not care for it, and we gave it up in a short time.

Q. It was the demand of your customers that fixed the line that you carried? A. The demand. As far as I can remember, for the last six years they did demand Hart & Hegeman. If a customer would specify a Hart & Hegeman number, it would have to have the Hart & Hegeman label on it.

Q. In other words, the brand on the box is a large part of the selling effort? A. The name. I had only a case last week. One of my customers orders 12 dozen door switches. They specified H. and H., and we did not have H. and H. in stock, and we gave them Diamond H,—that is the Hart Manufacturing Co.—and they returned them the next day, and we had to order 25 dozen just to fill his order for their switches. The other switches are just as good—it looks like it, but it had to have the Hart & Hegeman name on it.

Q. It is the name that helps? A. In some cases.

Q. In other words, the Hart & Hegeman label has a reputation that sells goods? A. In New Jersey it has. I don't know about New York.

Q. Was that true in 1927, as far as you can remember? A. I really believe it is because we started with the Hart & Hegeman line in 1925, and we built that up, and we tried to get our customers to take this line, and now they insist on it.

1918

Q. It is still true, that they want it? A. They want the H. & H. Label on it; the majority of them do.

REDIRECT EXAMINATION BY MR. HAYCRAFT:

Q. In 1927, you made very substantial purchases of Arrow products, didn't you? A. Well, I guess the first time when we placed that line, if I could remember, we had to place an order for two or three thousand dollars. No manufacturer would

1919

put you on if you did not give them the right kind of order.

Q. When did you start with that line? A. I can't recall that. It is very hard.

Q. If I should say that sales to your company were around six or seven thousand dollars in 1927, would that refresh your recollection?

Mr. Gross: By whom?

Mr. Haycraft: By the Arrow.

A. For the year 1927, approximately $7,000?

Q. Between $6,000 and $7,000? A. That is not large. I believe we bought three or four times as

1920

much from Hart & Hegeman.

Q. How did you make those sales? In other words, did you go out and solicit the business and push the Arrow line? A. We had men to do it.

Q. Did the Arrow line give satisfaction? A. No, most of our customers insisted on H. & H.

Q. I thought you said a moment ago that the only reason ypu dropped the Arrow line was because you did not want to carry so many lines? A. That is one of the reasons, but the most up-to-date is the Hart & Hegeman. They are getting most of our

1921

business. We are selling their line 80 per cent. An average distributor gets $150 or $250 a month, whereas H. & H. gets $1800, $2,000, $2,500. We are selling the Hart & Hegeman line 80 per cent.

Mr. Haycraft: That is all.

BENJAMIN GOLDEN, was thereupon called as a witness, and being first duly sworn, testified as follows:

1922

DIRECT EXAMINATION BY MR. HAYCRAFT:

Q. Will you please give your name. A. Benjamin Golden.

Q. Where do you live? A. Newark, N. J.

Q. What is your occupation? A. Electrical supplies.

Q. Do you operate under your own name, or— A. The Eastern Electrical Supply Co.

Q. Is it a corporation? A. Yes.

Q. What is your official position? A. Vice-president.

Q. How long have you been in that business? A. 1923
Since 1914.

Q. How long has the Eastern Electrical Supply Co. been in business? A. Since 1912.

Q. What territory do you cover? A. All of New Jersey.

Q. Do you travel salesmen? A. Yes.

Q. How many? A. Seven.

Q. During that period of time, have you had any business dealings with the Hart & Hegeman Manufacturing Company? A. Yes, sir.

1924 Q. And when did you start having business dealings with them? A. I am bad on dates, but I imagine the past five years.

Q. And during that time, have you had any business dealings with the Arrow Electric Co.? A. Yes, we have had them longer.

Q. How long did you purchase goods from the Arrow Electric Co.? A. I imagine 8 or 9 years—something like that.

Q. You started with the Arrow? A. We had Arrow before we had Hart & Hegeman.

1925 Q. When you first started to handle the Arrow line, who solicited your business? A. I don't know. I could not answer.

Q. Back in 1927, do you remember who it was then? A. I think it was Webster, and Mr. Deacon.

Q. Who succeeded Mr. Webster then? A. Mr. Durant.

Q. How long did Durant solicit your business for Arrow? A. I guess until he left them; maybe six months ago.

Q. Who succeeded him then? A. I don't know. I have not been active in the purchases.

Q. How long has it been since you have been
1926 active in the purchases? A. I do it, but I have a fellow on it since about six months.

Q. What lines did you handle principally when you started? A. Arrow and Pass & Seymour.

Q. How long did you continue to handle the Arrow line? A. We still carry some of it.

Q. You carry some in stock? A. Yes.

Q. I ask if you recognize Commission's Exhibit 88 as a catalogue of the Arrow Company? A. I do.

Q. Back in 1927, can you recall about what percentage of your business would be purchases you made from Arrow? A. I don't.

Q. Well, was it more then than now, or less? A. I think so; more.

Q. More? A. More.

Q. Comparing 1927, say, with 1928, 1929 and 1930, has there been an increase or a decrease in your purchases from Arrow? A. Decrease.

Q. How do you account for that? A. I can't account for it; I don't know. One salesman works a little harder than another, I suppose.

Q. At that time did the Arrow Company have what is known as missionary salesmen in going out and assisting you in the sale of your product? 1928
A. I guess they would go if we asked them. None of them will do too much for you.

Q. Did Mr. Deacon continue to represent the Arrow Electric Co. in soliciting your business? A. Yes, sir.

Q. During that period of time, did you have any business dealings with the Hart & Hegeman Manufacturing Company? A. Yes, sir.

Q. When did you first start with them? A. I imagine five years ago.

Q. Has your business increased or decreased? A. It has increased, and now it has decreased. That is not their fault, though.

Q. Comparing 1927 with 1928, 1929 and 1930, was 1929
there an increase? A. Yes, H. & H. went ahead.

Q. How do you account for the increase? A. I guess we pushed it a little harder.

Q. Was there any difference in the profits that you might make in the two lines that would make you push one harder? A. It would have to be more profitable business for us to push it.

Q. Did you get any more assistance from the Hart & Hegeman missionary men? A. Yes, sir.

1930 Q. Who is the salesman who originally solicited business for Hart & Hegeman? A. Ross.

Q. How long did he stay with the Hart & Hegeman Company? A. A few years.

Q. Who succeeded him? A. Gabry.

Q. Does Gabry still represent them? A. Yes, sir.

Q. Do you know who is in charge now of the Hart & Hegeman salesmen in the New York territory? A. I do.

Q. Who is? A. Mr. Deacon.

Q. Do you know how long he has been here? A.
1931 A little while after Wilson died.

Q. About how long would that be? A. I don't know.

Q. Does Mr. Gabry call on you quite regularly? A. Yes.

Q. About how often? A. A couple of times a week.

Q. How long has it been since an Arrow salesman called on you? A. Maybe six months.

Q. Comparing the two products, what would you say— A. They are about equal.

Q. —and about the same line? A. Yes.

Mr. Haycraft: That is all.

1932 Cross Examination by Mr. Gross:

Q. When you said that the Hart & Hegeman sales recently decreased, but it wasn't their fault, you meant business conditions generally in the country? A. Yes.

Q. And their sales effort to you had been just as active and just as progressive as ever? A. Absolutely.

Q. When you say that the Hart & Hegeman line -proved more profitable to you, you mean there was more demand for it? A. That is right.

1933

Q. Was the competition in 1927—was there active competition between you and Newark and Monarch, Beller and the Star companies in Newark?

Mr. Haycraft: I object to that, Mr. Examiner, for the reasons already stated.

Examiner Reeves: I think, Mr. Gross, that you are asking him merely to state a conclusion.

Mr. Gross: I am simply asking him whether there was active competition.

1934

Mr. Haycraft: I do not want it understood that I am unduly pressing it, but it seems to me that it is only a conclusion that any man might make.

Examiner Reeves: I have overruled two previous objections, but I am inclined to think that I was in error.

Q. In 1927, were these other companies, Beller, the Star, the Newark, the New Jersey, and Mr. Lipsky's company, the Monarch, progressive, active concerns in the business? A. Yes, sir.

Q. Were they all selling similar lines to yourself? A. Yes, sir.

1935

Q. Are most of these companies still active? A. Yes.

Q. And conditions among yourself and those others are the same as they were then? A. Yes.

REDIRECT EXAMINATION BY MR. HAYCRAFT:

Q. Is the Beller Company and Monarch pushing the Arrow line as they were in 1927? A. I don't know.

1936

Q. When you say the conditions were the same, what do you base it on? A. On general wiring devices.

Q. One concern may have dropped out without your knowing of it? A. Yes.

RECROSS EXAMINATION BY MR. GROSS:

Q. Did you state what other lines besides Hart & Hegeman you carried? A. Hart & Hegeman, Pass & Seymour, Arrow, Hubbell; some of Bryant.

1937

Mr. Gross: That is all.

BY MR. HAYCRAFT:

Q. When your salesman goes out and calls on the trade, what lines does he push? A. I guess every one pushes a different line; whoever they like. They do a favor to the line. Pass & Seymour or Hart & Hegeman.

Mr. Haycraft: That is all.

BY MR. GROSS:

1938

Q. What you sell is largely determined by what your customers want? A. Yes.

Q. Many customers want one line? A. Yes.

Q. Some insist on Hart & Hegeman? A. Yes.

Q. Some on Arrow? A. Yes.

Q. Some on Pass & Seymour? A. Yes, absolutely. In a general way, we have to give them what they want.

Q. The real competition is in the field, in the trade, isn't it? A. Yes.

1939

BY MR. HAYCRAFT:

Q. If that is true, you could discharge all your salesmen? A. They won't all buy from us. If I thought so, I would.

Q. If the brands alone sell themselves, why do you have salesmen? A. Well, there is a certain building going up, and they may have made demand for certain merchandise, but there are 15 jobbers trying to get that.

Q. I understand, then, from your answer that your salesmen are merely order takers? A. I would say you are right, but they say they are not.

1940

Q. You don't think, then, that they try to convince a customer that a certain product is better than another? A. They do.

Q. They do? A. Yes, I am sure they do.

Q. Then you were just jesting a moment ago? A. They will push it, but a lot of our merchandise is specified. You pick up a specification, and they say that Hubbell has done fine work among the builders and architects, and naturally we try to please them and give them what they specify.

Q. The Arrow has not done as much work along that line? A. I don't think so.

1941

EDWIN BURKHEIMER, was thereupon called as a witness, and being first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. HAYCRAFT:

Q. What is your name? A. Edwin Burkheimer.

Q. Where do you live? A. East Orange, N. J.

1942 *Edwin Burkheimer—Direct.*

Q. What is your occupation? A. Electrical jobbing.

Q. And where do you have your place of business? A. 18 Warren St., New York.

Q. Do you operate under your own name? A. The Ostrander Electric Supply Co.

Q. What is your official position? A. Secretary and treasurer.

Q. As such, do you have anything to do with the purchase of materials? A. I do most of the purchasing.

1943 Q. What territory do you cover in your business? A. Metropolitan District, about 50 miles from New York City.

Q. How many salesmen do you travel? A. Five.

Q. What class of trade do you call on? A. Contractor dealers and some plant trade.

Q. How long has the Ostrander Electric Co. been in that business? A. Five years.

Q. During that period of time, have you had any business dealings with the Arrow Electric Co.? A. Yes, we have.

Q. And when did you first have business dealings with that concern? A. When we started business.

1944 Q. You started out as an Arrow jobber? A. Yes.

Q. Who solicited your business in the beginning? A. I don't know—generally had our dealings with Mr. Deacon. I don't know who the salesman was at that time.

Q. Have you continued to handle the Arrow line since starting? A. Yes, I have.

Q. About what percentage of your sales would you say consist of Arrow products?

Mr. Gross: In the wiring devices?

Mr. Haycraft: Yes.

A. About 90 percent, I would say.

Q. Has Mr. Deacon continued to do the soliciting? A. He comes in sometimes, and they have their salesmen, and they come in.

Q. Do you remember any others? A. Webster and Durant. There is another salesman coming in now, but I don't know his name.

Q. I show you Commission's Exhibit 88, and ask if you recognize that as an Arrow catalogue of the Arrow Division? A. It is a catalogue. I don't know if it is the last one.

Q. No, that is one along about 1926 or 1927. A. Yes, that is a catalogue.

1946

Q. At the time you first began buying from Arrow Electric Co., it was not affiliated with any organization? A. Not that I know of.

Q. Do you know whether or not it later became affiliated with any other organization? A. I understand about Hart & Hegeman. I don't know about any one else.

Q. Do you remember when you first learned that? A. I should say a year and a half or two years ago.

Q. I show you Commission's Exhibit 18, and ask if you recall receiving that letter? A. I don't recall the letter. I know we had some kind of word from them. I don't recall that letter.

1947

Q. About how long ago? A. In 1927; about that time, yes.

Q. I show you Commission's Exhibit 81, and ask if you recognize that as the present catalogue of the Arrow Division of the Arrow-Hart & Hegeman Electric Co.? A. Yes, that is the latest I have seen.

Q. How long have you known that the Arrow Electric Co. was a division of the Arrow-Hart & Hegeman Electric Co.? A. I would say about two years.

Q. During that period of time, since 1927, when you were handling this Arrow line, did salesmen of

1948 the Hart & Hegeman Manufacturing Co. call on you soliciting your business? A. No.

Q. Have you any call for Hart & Hegeman products? A. Yes, we do.

Q. How do you obtain your products? A. At the present time we get them from the Arrow Co.

Q. That is, you place your order with the Arrow salesman? A. Yes.

Q. Back in 1927, how would you obtain them? A. I generally purchased them through other jobbers who handled the Hart & Hegeman line.

1949 Q. Are you acquainted with any other jobbers in the metropolitan district that were handling the Arrow line back in 1926 and 1927? A. I know some are handling it today. I don't know if they had at that time or not.

Q. Who is that? A. Tidewater Electric Co., Joseph Kurzon. I don't recall any others. I think Crannell, Nugent & Kranzer, but I am not sure. The Hirschfeld Electric Supply Co.

Mr. Haycraft: I think that is all.

CROSS EXAMINATION BY MR. GROSS:

1950 Q. When you said that in 1927, when you had H. & H. goods called for, you could get them from other jobbers, and you got them from other jobbers. That remained true during 1928 also, didn't it? A. Well, we could get it from Arrow.

Q. You could buy them from the Arrow-Hart & Hegeman Electric Co.,—the full name? A. Yes.

Q. In other words, you always got your Hart & Hegeman supplies from another jobber until this new company was formed? A. Yes. Just odd lots that we would pick up.

Q. When you were carrying, in these five years,—what other lines have you carried besides Arrow? A. Pass & Seymour. We have only had that about two years.

Q. Back of that principally Arrow? A. Just the Arrow.

Q. Was it your policy to carry one line only? A. It seemed to fill all the demands of our customers.

Q. It was your own decision to carry one line? A. Yes.

Q. It wasn't required by the Arrow Company? 1952
A. No.

Q. You were never restricted in the number of lines you might carry? A. No.

Q. It was sufficient for your purposes in the trade? A. Yes.

Mr. Gross: That is all.

Mr. Haycraft: That is all.

HARRY J. HORNUNG, was thereupon called as a witness, and being first duly sworn, testified as follows: 1953

DIRECT EXAMINATION BY MR. HAYCRAFT:

Q. Will you state your name? A. Harry J. Hornung.

Q. State your occupation, Mr. Hornung. A. Vice-president and manager, Monroe Lamp & Equipment Corporation.

Q. Where is its place of business? A. 314 W. 14th St.

Q. New York City? A. New York City.

1954 *Harry J. Hornung—Direct.*

Q. In what business is it engaged? A. Electrical wiring devices, supplies, and Mazda lamps.

Q. Are you a jobber of those supplies? A. Yes.

Q. What territory do you cover? A. The metropolitan district, mainly.

Q. How many salesmen do you travel? A. Four.

Q. How long has that firm been in that business? A. About ten years.

Q. During that period of time, has your firm had any business dealings either with the Arrow Electric Co. or the Hart & Hegeman Manufacturing
1955 Co.? A. Both.

Q. Which one did you start with? A. Arrow Electric, before I got there.

Q. Were they handling both lines? A. No, just the one.

Q. Have they continued handling the Arrow lines since then? A. Yes.

Q. Has that line increased or decreased since you have been with that firm?

Mr. Gross: Which line?

Mr. Haycraft: Arrow.

1956 A. I believe it has been on a par, but we have been handling that mainly.

Q. To what class of trade do you sell? A. Mainly isolated plants and a few contractors.

Q. Would it refresh your recollection if I should say that in 1926 your purchases of Arrow products were between $8,000 and $9,000; in 1927 about $5,000; in 1928 about $2,500; in 1929 about $2,000, and in 1930 about $1,200? A. That is due to business conditions, and we didn't take every order unless it can show a profit, on account of competition.

Q. Because of other jobbers? A. Yes, such as on sockets, receptacles and switches.

Q. Who solicited your business since 1927 for the Arrow? A. Durant.

Q. How long did he continue to solicit your business? A. Since about two years ago.

Q. Who has been since? A. Mr. Springett.

Q. Does he still solicit for the Arrow? A. Yes, sir.

Q. About how often does he call? A. Possibly every two or three weeks.

Q. When did you start handling the Hart & Hegeman line? A. I don't just recall. Possibly four or five years ago.

1958

Q. Who solicited your business for the Hart & Hegeman? A. Mr. Wilson.

Q. Did he continue to solicit since that time? A. Yes, and Mr. Stone.

Q. And for how long? A. Mr. Wilson I think until he died. He made periodic calls, and Stone up until about a year and a half or so ago.

Q. Who succeeded Mr. Stone? A. Mr. Webster.

Q. Mr. Webster has continued to solicit from that time? A. Yes.

Q. Have your purchases of Hart & Hegeman products since 1927 increased or decreased? A. Decreased.

1959

Q. What has caused that? A. On account of competition. That is so keen, that we don't take any business unless we can show a reasonable profit. The profit has been about one-half to two per cent.

Q. Was that true in 1928 and 1929? A. No, I don't think it was quite that, although there was a condition there—one salesman had contact with several of the big contractors, and on account of his connections he got some business.

Q. One of your salesmen, did you say? A. Yes.

Q. Did he resign or— A. He resigned.

1960 Q. And you lost his contacts? A. Yes.

Q. Are you acquainted with Mr. Deacon? A. Yes.

Q. When did you first meet him? A. I met him before I came with the present company; a number of years ago.

Q. And with what company was he associated at that time? A. Arrow Electric.

Q. Has he continued to be with that concern since? A. Yes.

Q. Do you know what his position is now? A. I believe he is general sales manager.

1961 Q. Of what organization? A. Of the Arrow-Hart & Hegeman Electric Co.

Q. Here in New York? A. In New York, yes, sir.

Q. Do you identify Commission's Exhibit 88 as an Arrow catalogue back in 1926 and 1927? A. Yes, sir.

Q. And Exhibit 81 as its most recent catalogue, issued in November, 1929? A. Yes, sir.

Q. I notice that in this last catalogue, it is designated as the Arrow Division of the Arrow-Hart & Hegeman Electric Co. How long have you known that to be true? A. About a year and a half or two years.

1962 Q. How did it first come to your attention? A. I don't recall whether it came through the salesmen or not.

Q. I show you Commission's Exhibit 67 and ask you if you identify that as a Hart & Hegeman Manufacturing Co. catalogue back in 1926 and 1927? A. Yes.

Q. I show your Commission's Exhibit No. 82 and ask if you recognize that as a recent catalogue of the Hart & Hegeman Division of the Arrow-Hart & Hegeman Electric Co.? A. Yes.

Q. Your knowledge as to the Hart & Hegeman connection with the Arrow-Hart & Hegeman Elec-

tric Co. is at the same time so far as the Arrow is concerned. In other words, it came to your attention about a year and a half or two years ago? A. About the same time. We have both catalogues, and we send out both catalogues to our customers.

Q. Comparing the products handled at the present time, what would you say about them as to—are the products in these catalogues similar?

Mr. Gross: The two divisions?

Mr. Haycraft: Yes.

A. The two divisions are practically the same. 1964

Q. Was that true in 1927? A. No.

Q. What is the difference? A. The Arrow catalogue had various items that the other folks did not have, on account of their progressiveness.

Q. They would bring out a new item as a pioneer? A. Yes.

Q. At the present time, have you noticed whether or not the two divisions of the Arrow-Hart & Hegeman Electric Co. would bring out new items at the same time? A. I didn't pay any close attention to that.

Q. Of course, the catalogues will speak for themselves on that. I believe you said that Mr. Deacon 1965 took Mr. Wilson's place. A. As far as I know, yes.

Q. And he is now in charge of the sales forces of both divisions? A. As far as I know, yes.

Mr. Haycraft: That is all.

CROSS EXAMINATION BY MR. GROSS:

Q. This electric lamp business, is that your principal line? A. Yes.

Q. This wiring device line is more or less incidental to your main business, the lamps? A. Yes, sir, a secondary product.

Q. When Mr. Webster called on you, it was always as a Hart & Hegeman salesman? A. Yes.

Q. In 1926, 1927 and 1928, you were buying from both companies, were you? A. I don't just recall how far back it was we started with Hart & Hegeman.

Q. You were buying from Hart & Hegeman and the Arrow? A. Yes, sir.

1967 Q. At that time, were the two sales organizations competing with each other for the goods that they might sell to you? A. Yes.

Q. Did that same competition—

Mr. Haycraft: Just a moment. I move to strike out the question and answer, as a conclusion.

Mr. Gross: If you will read the question, you will see that there is no conclusion here at all.

(The last question was repeated.)

Mr. Gross: There I am asking whether two people were competing for the goods.

1968 Examiner Reeves: Wouldn't it be better for you to ask him if they were striving to obtain the same trade?

Mr. Gross: Strike out the question.

Q. In 1926 and 1927, was the Hart & Hegeman Manufacturing Co. and the Arrow Electric Co. striving through the different salesmen to obtain your trade on the same general electrical wiring device line? A. Yes.

Q. Did different salesmen for those two companies try to sell you the same lines? A. Yes.

1969

Q. Did those same conditions continue in 1927 and 1928? A. Yes.

Q. Since the organization of this new Arrow-Hart & Hegeman Electric Co., do you still have two sets of salesmen calling upon you? A. Yes.

Q. Are those two salesmen still striving for their respective divisions to sell you substantially the same line of goods? A. Yes, sir.

Q. What determines which particular line of goods, whether the Arrow goods or the Hart & Hegeman goods? A. We started with the Arrow Company, and we used that as our leader, but the H. & H. we sell on demand.

1970

Q. In other words, the trade requires H. & H. from you? A. Yes.

Mr. Gross: That is all.

REDIRECT EXAMINATION BY MR. HAYCRAFT:

Q. What inducements were offered by those respective sales forces in 1926 and 1927 when they solicited your business? A. The demand amongst the trade, among the general contractors and architects.

1971

Q. Did either the Arrow man or the Hart & Hegeman man give you any inducement as to price or service? A. No inducement as to price.

Q. Did they both make solicitation of your customers; that is, the contractor? A. As far as I know, yes.

Q. At the present time, what is the inducement that is offered by the respective salesmen? A. No inducement.

Q. Is there any difference in the articles? A. No difference in the articles as far as I know.

1972 *Harry J. Hornung—Redirect.*

Q. Where is the striving, then? A. The demand on the outside, from the general public, the general contractor.

Q. Does the Arrow sales force push the Arrow line with the contractors as they did before? A. As far as I know, they do.

Q. Is that the only reason that you would account for the decreased sales, the competition on the outside? A. The competition on the outside, and we won't take any business unless we see a reasonable profit.

1973 Q. Do you know that Mr. Webster is under the same sales manager as Mr. Springett? A. As far as I know.

Q. And both the Arrow and Hart & Hegeman lines are now divisions of a common owner? A. I don't know about the common owner.

Q. In other words, the Arrow-Hart & Hegeman Electric Co. owns and operates both divisions? A. Well, from their literature, I take it.

Q. Is there any difference, then, so far as the product and so far as the demand is concerned between the two lines? A. Business conditions would be the factor in that.

1974 Q. In other words, what is done by the salesmen to induce you to buy a Hart & Hegeman article or an Arrow article? A. The demand and the general specifications in the general contract.

Q. How is that obtained? A. The electrical contractor gets it from us on specification, due possibly to the missionary work by the various manufacturers, having their products specified in their specifications.

Q. In other words, the amount of business that you will give to one division, compared with the other, will depend on the amount of business that comes to you from the contractors? A. Yes.

1975

Q. Do you have any salesmen who are pushing either of the lines? A. No, sir; they are pushing lamps mainly.

Q. Then, so far as you are concerned, all that striving that you mentioned awhile ago, is with respect to your customers, and not with respect to you, yourself? A. That is correct.

Q. Is there any advantage to you whether or not you sell an Arrow article or a Hart & Hegeman article? A. No advantage.

BY MR. GROSS:

1976

Q. Both salesmen do strive to sell you goods to stock your store? A. Yes.

Q. In other words, the Arrow Division tries to sell you Arrow supplies for your shelves, and the H. & H. salesman still tries to sell you H. & H. devices for your stock? A. Yes.

BY MR. HAYCRAFT:

Q. Now, when you say he tries as hard, what inducement does he offer? A. He tries to show us where an account of demand amongst the people he covers that we ought to carry that particular 1977
stock.

Q. Does he offer any price inducement? A. No.

Q. Any service inducement? A. No, sir.

Q. Any credit inducement? A. No, sir.

BY MR. GROSS:

Q. In other words, the only inducement, as you state in your original answer, as the inducement that would keep one or the other, would be the

amount of business that you would get from a contractor? A. The business we get would determine.

Q. The same is true with respect to Pass & Seymour and Bryant? A. We don't have Bryant. We have Pass & Seymour.

Q. And the same is true with Pass & Seymour? A. Yes.

Mr. Gross: That is all.

Examiner Reeves: The hearing will be adjourned to 3 p. m.

1979 (Whereupon, at 1:10 p. m., the hearing was adjourned to 3 p. m., daylight saving time.)

AFTER ADJOURNMENT.

3 P. M. daylight saving time.

WILLIAM SMART, was thereupon called as a witness, and being first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. HAYCRAFT:

1980

Q. Will you state your name? A. William Smart.

Q. Where do you live, Mr. Smart? A. 1183 Clay Ave., Bronx.

Q. What is your occupation? A. President and treasurer, Smart Electric Supply Co.

Q. Where does it have its place of business? A. 567 Cortlandt Ave., Bronx.

Q. In what business is that company engaged? A. Electrical supply business.

Q. Wholesalers? A. Wholesalers.

1981

Q. How long has it been so engaged? A. Since 1923.

Q. Where do you sell your goods? A. Throughout the Bronx and the lower part of Westchester County.

Q. Do you travel salesmen? A. One now; generally two.

Q. What class of trade do you generally sell to? A. We sell to contractor dealers, industrials, and landlords.

Q. During that period of time, have you had any business dealings with the Hart & Hegeman Manufacturing Co.? A. Yes, I have.

1982

Q. Since when? A. Why, in the latter part of 1923 or the early part of 1924. I don't just recall.

Q. About what percentage of your business would you say was done with the Hart & Hegeman Manufacturing Co.? A. The total business?

Q. The electrical wiring devices? A. 5 per cent.

Q. Of your electrical wiring devices? A. 5 to 10 per cent.

Q. What other lines do you handle? A. We have cable.

Q. I think you misunderstood my question. Of your electrical wiring device business, what percentage would you say was Hart & Hegeman, of the products? A. I see what you mean. I don't know. We have so many different lines. I couldn't tell you the exact percentage. Maybe 2 per cent.

1983

(Discussion off the record.)

If I may ask you a question: you mean the total amount of my electrical business?

Q. No. I will ask you to identify this catalogue, Exhibit No. 67. Look through there and see if

you handle the full line of those devices. A. I should say about 50 per cent of the H. & H. devices we use at times.

Q. Do you handle any other line of wiring devices similar to that? A. None, only in the cheaper grade.

Q. What is that; what manufacture? A. Well, we handle Leviton.

Q. When you first started to handle the Hart & Hegeman line of electrical wiring devices, who called on you to solicit your business? A. Mr.
1985 Wilson.

Q. And how long did he continue to? A. Until he died: I think a year or two ago. I don't recall exactly.

Q. Who succeeded him? A. Also a party by the name of Moses called on me in conjunction with Mr. Wilson, and since then a party by the name of Webster.

Q. Has Mr. Deacon ever called on you? A. Mr. Deacon called on me once or twice.

Q. In the past year? A. The last time was a few weeks ago, I believe.

Q. I ask you if you can identify Exhibit 82 as
1986 a recent catalogue of the Hart & Hegeman Co. A. We don't get that catalogue now. We get loose leafs. We had that two years ago.

Q. You get leafs for your own catalogue? A. No. They have a loose leaf sheet that they send us when they get a change of prices.

Q. This catalogue is gotten out by the Hart & Hegeman Division of the Arrow-Hart & Hegeman Electric Co. How long have you received advertising matter with that name at the bottom of it? A. I couldn't say. It must have been—I couldn't

say. I never paid any particular attention to the inside of the catalogue. I always took the initials "H. & H."

Q. Do you know who owns the Hart & Hegeman line at the present time? A. No, I don't.

Q. Did you ever hear of the Arrow-Hart & Hegeman Electric Co.? A. I have heard of the Arrow Co.

Q. Did you ever hear of the Arrow-Hart & Hegeman Electric Co.? A. Yes, I have heard of them.

Q. I show you Commission's Exhibit No. 18, and ask if you recall receiving the original of that copy, addressed to the H. & H. distributors? A. I believe we have. I will say yes. 1988

Q. Was that the first time that you learned that there was some affiliation between the Arrow Electric Co. and the Hart & Hageman Manufacturing Co.? A. The first time.

Q. Has the Hart & Hegeman Manufacturing Co. given you any service in assisting you in securing business from your customers? A. They have.

Q. In what way? A. Well, one of their men called on me, and in conjunction with that he called on the contractor dealer. If he had any business, he places the order through me, if I am in that territory. 1989

Q. Have they been quite active along that line? A. They have to lately, but I think the depression has done that.

Q. Is it the same man or another man that does that? A. The same man.

Q. About what percentage of your business was obtained in that way, as distinguished from your own solicitation? A. Very small. I can't tell you the exact percentage.

1990 *William Smart—Cross.*

Q. During this period of time, has any representative of the Arrow Electric Co. called on you to solicit your business? A. Not that I know of.

Q. Are you acquainted with any salesmen of the Arrow Electric Co.? A. No, I am not.

Q. Are you acquainted with the Arrow Electric products? A. Yes, I think I am, very faint, though. I never handled the line, outside of being on the market.

Q. At the present time, is there a distributor handling the Arrow Electric products in your ter-
1991 ritory? A. I don't believe so. If there are, it is Hubbell. I think they were originally. Whether they are today, I don't know.

Q. Are you familiar enough with the Arrow line to say whether or not it is similar or different than the H. & H. line? A. I don't know, but I can explain that when we went and got the H. & H. line, I thought that the H. & H. line was a little bit better than the Arrow line, as far as quality is concerned, but that is all I can say. That is my personal opinion.

Q. Upon what do you base your opinion? A. Just from the earmarks; contractors prefer that
1992 line.

Q. Just your contact with the trade? A. Yes, that is all.

CROSS EXAMINATION BY MR. GROSS:

Q. Have you carried the H. & H. line, Mr. Smart, virtually since you have started in business? A. Yes.

Q. You carry other lines of wiring devices? A. Not in competition.

1993

Q. But you carry cable, insulated wire, and lamps? A. Yes, sir.

Q. And boxes? A. Yes, sir.

Q. And the electrical wiring devices that you carry, goods of H. & H. and Leviton, are a comparatively small part of your business? A. Small part of the business.

Q. As I understand it, you took the H. & H. line because you found that you had a line of customers who wanted H. & H. goods? A. Exactly.

Q. And you carry a considerable line of H. & H. goods because there is that demand in the trade for it? A. Yes, in that locality.

1994

Q. In that territory? A. Yes, sir.

Q. And the Leviton line is a distinctly cheaper line than any other in the trade? A. Well, it is so small, that it is really not worth while considering. It doesn't amount to $70 a month.

Q. During the period that you have had this line, since 1923 or 1924, has there been any change in the effort of the Hart & Hegeman to carry your trade as a customer and to distribute their line through your trade? A. I think it has continued exactly the same as when I started.

1995

Mr. Gross; That is all.

Mr. Haycraft: No further questions.

C. M. PARR, was thereupon called as a witness, and being first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. HAYCRAFT:

Q. Will you state your name and residence? A. C. M. Parr, Montclair, N. J.

1996 *C. M. Parr—Direct.*

Q. What is your occupation? A. Wholesale electrical supply dealer.

Q. Under what name? A. Parr Electric Co., Inc.

Q. What is your position? A. President.

Q. In what business is that business engaged? A. Wholesale electrical supplies.

Q. Where does it have its place of business? A. 77 Warren St., New York City.

Q. What territory do you cover? A. The metropolitan district.

1997 Q. How many salesmen do you travel? A. 12.

Q. Included in your products, do you handle a line of wiring devices? A. Yes.

Q. Is it more than one line? A. Five lines.

Q. Will you name them? A. Hubbell, Arrow, Bryant, Cutler-Hammer, Pass & Seymour, Hart & Hegeman—six lines.

Q. How long have you been handling the Arrow line? A. About 11 years.

Q. How long have you been handling the Hart & Hegeman line? A. The same length of time.

Q. About the same time? A. Yes, sir.

1998 Mr. Gross: That is about the time that you have been in the business, isn't it?

The Witness: Yes, sir, started with both of them.

Q. At the time you started, which one did you handle the most, which was the largest line? A. Why, beginning we put in the stocks of all of those mentioned, except Cutler-Hammer. As each manufacturer recognized us, we placed a stock order for their line. We started to push the Hart & Hegeman line.

1999

Q. Why? A. We thought that it would have acceptance with our trade, and the local manager was very friendly to us.

Q. Who was the local manager? A. Wilson.

Q. What class of trade did you sell to principally? A. To industrial plants and electrical contractors.

Q. And what did Mr. Wilson do, if anything, to assist you in selling your products? A. He cooperated by calling on the customers and telling us the prospects, and creating a demand for our product with architects and engineers: he told them that we had the stock; stimulated our salesmen by supplying advertising and samples.

2000

Q. The Arrow people did not give you the same cooperation? A. They desired our business and solicited it, but at that time, why, we played more with the Hart & Hegeman Co.

Q. Was there any difference in the quality of the product? A. It is a matter of opinion. We preferred the Hart & Hegeman line at that time.

Q. Was there any difference in the demand in the trade that you solicited with respect to the two lines? A. The industrials were probably more acquainted with the H. & H. line in our territory.

2001

Q. Would that be due to the activities of the H. & H. organization? A. Yes, they were an older company, and their product had been on the market for a longer time at that time.

Q. Did you continue to stock the Arrow line after that time? A. Yes, we stocked all those lines.

Q. Did your salesmen push the H. & H. more than the Arrow? A. For a while.

Q. Then what happened? A. We felt that—while the local manager was cooperating, the head office was not very active, and we felt that some of the

2002 other manufacturers were more desirous of getting our business, so we began handling the Bryant line.

Q. About when was that? A. Well, I only guess; it was about 1921 or 1922.

Q. Then, how long did that situation hold good? A. Well, we found that the Bryant Co. was dominated by the Westinghouse interests, and the Westinghouse owned a lot of supply houses, and were competing with us, and we began to withdraw from the Bryant Co. and push the Hubbell line more, and around 1925 or 1926 the Arrow Company made
2003 very strong efforts to get our business, and they offered very good cooperation along export lines, and we did what we could to push the Arrow lines —the Arrow and the Hubbell, and then we continued.

Q. What was the result of your pushing of the Arrow line? A. We found that the Hubbel line had a little better acceptance with our salesmen and our customers than the Arrow—the particular class of trade that we had been appealing to—and we finally more or less continued with the Hubbell until we understood they had been bought by one of the large companies, and then we were rather discouraged,
2004 and the only independents that we could see were the Arrow people and the Hart & Hegeman people, so we started to do business with them.

Q. During 1927 to 1929, did you continue to push the Hart & Hegeman line? A. Why, after the new interests got into the Hart & Hegeman Co. we found they were very much more cooperative and very much more desirous for business, and the local man was always—

Q. Mr. Wilson? A. Yes, he was always cooperating with us, but the company was apathetic; they seemed to be more or less content to go along, but

2005

after the new interests came in, Mr. Wilson seemed to have a much more freer hand, and they supported him, and, in turn, he was able to give us more co-operation, and we started to do more business with the Hart & Hegeman line. I know Wilson was exulted at the support given him by the new people.

Q. Did he mention Mr. Grier as one of the men? A. Yes, he was the main one.

Q. About what time would that be? A. That would be the last two or three years.

Q. Two or three years before he died. How far back would you take that? A. I would say 1928, probably.

2006

Q. Who succeeded Mr. Wilson in charge of the Hart & Hegeman business here? A. The man we deal with is Mr. Stone. Mr. Everest calls on us from the factory. I don't know whether Mr. Stone succeeded Mr. Wilson, or whether they put anybody in the job.

Q. Do you know Mr. Deacon? A. Yes.

Q. How do you know him? What is his position? A. Mr. Deacon, I guess, has always called on us for the Arrow Electric Co.

Q. Does he hold any position now, as far as you know, with respect to the Hart & Hegeman line?

2007

A. Of course, I know he is Mr. Stone's senior, and he was the manager in New York for Arrow, and I suppose Mr. Stone would look up to him.

Q. In other words, he is in charge of both divisions at the present time? A. I suppose so.

Q. How long have you known the Hart & Hegeman line to be put out by the Hart & Hegeman Division of the Arrow-Hart & Hegeman Electric Co.? A. Well, I imagine about 1928, if I understand you correctly.

2008 *C. M. Parr—Direct.*

Q. Yes. I show you "Commission's Exhibit No. 88," and ask you if you recognize it as a catalogue of the old Arrow Electric Company before being affiliated with the Hart & Hegeman Co.? A. Yes.

Q. Do you recognize that catalogue of the old company? A. Yes.

Q. I show you "Commission's Exhibit No. 67," and ask you if you identify that as a catalogue of the old H. & H. line, the Hart & Hegeman Manufacturing Co.? A. It is the H. & H. line. I don't know whether it is old or new.

2009 Q. From your knowledge of the two lines, would you say that they were similar or practically the same devices, or otherwise? A. In our catalogues we have four or five different lines of wiring devices that I mentioned, and they are all identical in our books. I mean, you could scramble up those, Hubbell, and the others, and I couldn't tell them apart, unless you had the trade-mark on them. All the catalogues are alike.

Q. I show you "Commission's Exhibit No. 81," and ask if you recognize that as a late issue of a catalogue of the Arrow Division of the Hart & Hegeman Electric Co.? A. Yes.

2010 Q. I show you "Commission's Exhibit No. 82," and ask if you identify that as a recent catalogue of the Hart & Hegeman Division of the same company? A. Yes, sir.

Q. And do you catalogue both lines now? A. I think we do now, but our present catalogue was printed several years ago.

Q. Have you observed any recent devices gotten out with both names on it, Arrow and H. & H.? A. No, sir.

2011

Q. About what percentage of your total wiring device business is given to Hart & Hegeman products?

Mr. Gross: Now?

Mr. Haycraft: Yes, now.

A. Hart & Hegeman, I should say that it was possibly 25 per cent—that is a guess purely.

Q. Is that more or less than you did in 1927, would you say? A. More.

Q. More? A. Yes, sir.

Q. Now, the same with respect to the Arrow? 2012
A. I think that Arrow business has dropped off since 1927.

Q. Substantially? A. No, I should say probably half as much.

Q. To refresh your recollection, if I should tell you that you purchased, in 1927, approximately $5,000 worth of Arrow products, and $53 worth in 1930, would that refresh your recollection? A. I would say that was not right, off-hand.

(Discussion off the record.)

BY MR. GROSS:

2013

Q. You have four branches? A. Yes, and then there is another company, the export corporation.

BY MR. HAYCRAFT:

Q. Is it due to the fact that you have four branches—you would think your sales would run half as much in 1930 as in 1927 of Arrow products? A. No, we had those in 1927.

2014

BY MR. GROSS:

Q. The total business in the four branches then and now; it is half now? A. Yes.

BY MR. HAYCRAFT:

Q. Where are your other branches located? A. Brooklyn, Jersey City and Newark.

(Discussion off the record.)

2015 Q. If I would say it ran about $10,000 in 1927 and less than $1,000 in 1930, what would you say? A. There must be something wrong. We did more than $1,000 in 1930.

Mr. Gross: That is on Arrow?
Mr. Haycraft: Yes.

Q. I am referring, of course, to domestic sales in the New York, Newark and Jersey City offices. A. That might be.

Q. That would not include your export business? A. No.

2016

Mr. Haycraft: I think that is all.

CROSS EXAMINATION BY MR. GROSS:

Q. Mr. Parr, as long as Mr. Wilson lived, is it a fact that Mr. Wilson's organization, and Mr. Deacon's organization for Arrow, were both actively soliciting all the business that they could get from you? A. Yes, sir, they were very competitive. That is, Mr. Wilson was doing everything he could, from what he told me, to exceed Mr. Deacon in sales.

Deacon was frequently down trying to get our business. They were very competitive; no question about it. 2017

Q. And the two separate divisions since then, have they continued to actively solicit business in the same way? A. Yes, to the best of my knowledge and belief.

Q. The volume of your purchases from the different six or seven manufacturers that you carry from time to time—whether or not that is largely regulated by the demand in the trade to which you sell for the different brands of the different companies. A. Why, not entirely. It is partly a question of demand and partly a question of cooperation that the individual companies give us. 2018

Q. But it is a matter of rivalry, of soliciting business and furnishing you service which regulates that demand, isn't it? A. You mean the demand on us?

Q. Demand on you. A. Yes, there is some degree where we are able to divert that business.

Q. And there is, on the other hand, a certain demand for an H. & H. article or an Arrow article or a P. & S. article? A. Yes, sir.

Mr. Gross: That is all. 2019

REDIRECT EXAMINATION BY MR. HAYCRAFT:

Q. When you say that both of these organizations, of the Arrow and the Hart & Hegeman, solicited your business strenuously, can you say what inducements were offered by the respective sales organizations to get your business? For instance, what did Mr. Wilson and his men and what did Mr. Deacon and his men do in order to get you to stock

2020 and sell their products? A. Well, they would at times tell the ultimate buyer that we had the goods in stock; and attempt to favor us with orders by suggesting our name to the buyers, or they would tell us that such-and-such account was interested in their line, and we should go after the business, and at times they would bring orders to be billed through us, or if they got orders by mail, they would write to the person ordering that they would be billed by us as their distributors, and they tried to increase our distribution of their products and,
2021 in turn, we tried to give them stock orders.

Q. From the sales that were made, is it fair to assume that the Hart & Hegeman organization gave you most cooperation along that line? A. I should say so, yes.

Q. Now, since Mr. Wilson has died, I understand that Mr. Stone calls on you from the Hart & Hegeman organization? A. Yes.

Q. Who represents the Arrow organization? A. I don't know his name. Mr. Deacon drops down occasionally, and there is a man who comes in. I personally don't know him, but I made inquiry yesterday, and I was told that there was a man that
2022 came in regularly from Arrow.

Q. Do your salesmen that you employ make any solicitation of this type of business? A. Yes.

Q. What lines are they pushing? A. Why, at the present time we are advertising in our house organ H. & H. and Hubbell, and we have advertised the Arrow.

Q. How long ago? A. Last two or three months.

Q. How long before that, continuously or just periodically? A. Sporadically.

Q. You have continued to advertise the H. & H. line, or has that been sporadic? A. Why, after—

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we did at intervals. In other words, we would do it and then drop it, and then take it up again. At the present time we are advertising H. & H. and Hubbell.

Q. How long has that been true? A. Since Mr. Wilson has been given a free hand in this territory. Cutler-Hammer and Hubbell last summer, and we haven't pushed H. & H. more aggressively than Hubbell.

Q. Before that time, up to a year ago, did you advertise both H. & H. and Hubbell? A. I am inclined to think so.

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Q. And your salesmen, did they push both lines in calling on the trade? A. Yes.

Q. They didn't push the Arrow line? A. Some of the men did; some of the houses had a preference, and some of our men pushed Arrow if the Arrow salesman worked with the man. It is particularly an individual matter, you know; Arrow has been trying to get business right along.

Q. Is there any difference in the trade that the Arrow line—is it in more demand than the H. & H. line, or vice versa? A. I should say that the industrial trade and the plant trade probably are more familiar with the H. & H. line than with the Arrow line.

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Mr. Haycraft: That is all.

Mr. Gross: That is all. Thank you.

(Discussion off the record.)

Mr. Haycraft: This concludes the taking of testimony in New York City at this time. I should like very much to have an adjournment sine die, to give me a chance to go over the record and to consult with Mr. Gross and with my chief, and so on, to determine if and when

2026 further testimony will be taken before the Commission.

Examiner Reeves: The hearing will stand adjourned, and may be re-convened upon five days' notice to counsel for respondent and counsel for Commission.

(There was discussion off the record.)

Mr. Gross: I will waive the five days' notice, and I think I can agree with Mr. Haycraft on two days' notice, by either telegraph or otherwise, of the suitable hour, time and place.

Examiner Reeves: The adjournment will be taken, then, with this understanding, and it is

2027 so ordered.

(Whereupon, at 4.10 p. m., daylight saving time, the hearing in the above-entitled matter adjourned sine die.)

2028

Conference Room, Arrow-Hart & Hegeman Electric Company, 103 Hawthorne Street, Hartford, Connecticut. 2029

June 17, 1931.

Met pursuant to adjournment, 10 A. M. Daylight Saving Time.

Before—WILLIAM C. REEVES, *Examiner*.

APPEARANCES:

E. H. HAYCRAFT, Attorney for the Federal Trade Commission.

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CHARLES WELLES GROSS and WALLACE W. BROWN, of Gross, Hyde and Williams, 49 Pearl Street, Hartford, Connecticut, Attorneys for respondent.

PROCEEDINGS:

Examiner Reeves: We will proceed in the matter of Arrow-Hart & Hegeman, Inc., and others, Docket 1498, pursuant to adjournment taken on June 5, 1931, at New York, N. Y.

Let the record show that Mr. Grier is recalled for further examination. 2031

2032 *Edward R. Grier—Recalled—Direct.*

EDWARD R. GRIER, was thereupon recalled as a witness, and having been previously duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. HAYCRAFT:

Q. Mr. Grier, you are the same Mr. Grier who has testified heretofore in this proceeding? A. Yes.

Q. You are the president of the respondent The Arrow-Hart & Hegeman Electric Company? A. Yes.

Q. The new respondent? A. Yes.

2033 Q. I call your attention to Commission's Exhibit 18, page 2, which purports to be a form letter which you wrote to Arrow distributors on August 25, 1927, as vice-president of the Arrow Electric Company, and which you identified when you were on the stand before. I call your attention to the fifth paragraph of this letter, and this sentence: "In pursuance of this plan, it will not be practicable for us to furnish H. & H. material to our distributors, and naturally the reverse is true, that Arrow material will be available only to Arrow distributors." Will you explain that sentence? A. After the holding company was formed there was abso-

2034 lutely no change in policy. Before the holding company was formed, it was impossible for the Hart & Hegeman Manufacturing Company to obtain Arrow goods to sell them to the Hart & Hegeman distributors. It was also impossible for the Arrow Electric Company to obtain goods of the Hart & Hegeman Manufacturing Company to sell them to Arrow distributors. This policy was continued after the holding company was formed.

Q. If I understand your answer correctly, then, prior to the formation of the holding company, that

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is, prior to October, 1927, a jobber who was buying principally Arrow goods did not stock Hart & Hegeman products, was not able to buy Hart & Hegeman products from the Arrow Electric Company? A. They were not.

(Discussion off the record.)

Q. Likewise, a Hart & Hegeman distributor, and that is a distributor who handled principally Hart & Hegeman products, was not able to buy Arrow products from the Hart & Hegeman Manufacturing Company? A. No.

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Q. Your letter, there, where you say, "In pursuance of this plan it will not be practicable for us to furnish H. & H. material to our distributors, and naturally the reverse is true, that Arrow material will be available only to Arrow distributors"; what was the purpose of advising your trade to that effect? A. So that they would have a clear understanding of the situation. There was no change in policy whatsoever before or after.

Q. Did you have any request from your Arrow distributors, that is, from your customers, to furnish them H. & H. products during that 15 months' period, from October, 1927, to January, 1929? A. I don't remember any request, but I am certain that if they had the privilege, they would have taken advantage of it.

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Q. Why? A. On account of the policy not being changed. They could not get—Arrow distributors could not get Hart & Hegeman goods, and they thought, perhaps, that after the formation that they could, and we promptly sent out the letter notifying them that they could not. There was no change in the selling policy whatsoever.

2038 Q. Do you have any personal recollection of an Arrow jobber getting H. & H. products from the Arrow Electric Company? A. I have no personal recollection. That would not come to me, perhaps.

Q. Who in your organization would know that? Mr. Pond? A. I don't know. We set the policy before the questions came in.

Q. I am trying to find out whether you got questions.

(Discussion off the record.)

2039 Q. To your knowledge, did your firm have a more liberal policy than the Hart & Hegeman in the selection of their jobber customers at that time? A. Credit wise?

Q. Credit wise or maintenance of price at which they would sell in the trade? A. That is a very difficult question to answer, because you have to look at it from different angles.

Q. There is some testimony to that effect in the record, and we have your statement on it. A. The question—

(Discussion off the record.)

2040 (The last three questions and answers were read by the reporter.)

Mr. Gross: I object to the question on the ground that there is no question that came into the record that we select our jobbers on the basis of maintenance of price to the jobbers.

Mr. Haycraft: There is a statement by a witness to that effect.

(Discussion off the record.)

Mr. Haycraft: I withdraw the question.

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Q. When the Arrow Electric Company first entered the jobbing field with their line of electrical wiring devices, did you have any difficulty in securing jobber outlet? A. No, no more than any other new concern going into the field.

Q. Well, I don't like that answer. It is not responsive.

(The last question was repeated by the reporter.)

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A. Naturally, being a new concern, a great many outlets were more or less affiliated with other manufacturing concerns, and we did not have difficulty, but we had to take what we could take.

Q. Jobbers who were not already lined up, you might say, with some other manufacturer? A. Not altogether, but we had to take jobbers who were doing business, buying business, from other people, as we are doing today.

Q. Did you have any policy with respect to the insistence on your jobbing customers as to maintaining their retail price? A. None. We never had that policy under any conditions.

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Q. As compared with the price that you quoted to your jobber customers, how were they expected to sell to their trade? A. Exactly as their commercial reasons dictated. Will you read that question, please.

(The last question was read by the reporter.)

A. (Continuing) That was entirely up to their discretion.

Q. Did you suggest any price at all? A. That question I can't remember at that time.

2044 *Edward R. Grier—Recalled—Direct.*

Q. If you know, how did your prices to the jobbers compare with the prices of similar articles of your competing manufacturers?

Mr. Gross: In what time?

Q. (Continuing) 1927. Prior to the formation of the holding company, the old respondent. A. A number of the so-called high-grade manufacturers—their published prices were practically the same as our published prices. Probably 75 other manufacturers had very much lower prices than we did.

2045 Q. Were they listed in catalogues, similar to yours, these 75 others that you refer to? A. Some were and some were not.

Q. Were they full-line manufacturers or manufacturers of specialties? A. Some were and some were not.

Q. How many of these 75 that you mentioned, would compare favorably with your own concern in volume of outlet? A. Probably none.

Q. Did you make any serious attempt to meet their competition in price? A. To meet market conditions, which continually meant lower prices, in order to protect our company.

2046 Q. Did you have any policy in respect to selling to a jobber who had a tendency to cut prices, as it is known in the trade? A. We had no policy.

Q. Did you ever cut anyone off or refuse to sell a jobber who was known as a price-disturber?

Mr. Gross: I object to the question on the ground that we are going into another feature of the question, the question of resale prices, which involves another section of the Clayton Act, and I understood from my learned friend

that there is no question of unfair prices involved in this complaint.

Examiner Reeves: What is the contention of counsel for the Commission in respect to this question?

Mr. Haycraft: I am trying to find out if there was any basis in fact at all for the testimony of the witness that I called attention to, on the ground that such testimony would be relevant with reference to competition with respect to the sale of their products to jobbers who were known as price-cutters in the industry. 2048

Mr. Gross: I would like to state on the record that the testimony of the witness, Mr. McCabe, to whom counsel for the Commission refers, cannot be read as indicating that there would be any concession by the manufacturer to the jobber. It was a question of the jobber selling the goods at a price to his trade which this Mr. McCabe said he would not want to meet. You agree that that is what the phrase means?

Mr. Haycraft: Yes.

Mr. Gross: That has nothing to do with the policy of the Arrow Electric Company. 2049

Mr. Haycraft: Oh, yes, it does.

Examiner Reeves: I wish counsel for the Commission would state again his contention with reference to the materiality of that.

(The reporter read back Mr. Haycraft's statement.)

Examiner Reeves: The objection will be overruled. The witness may answer.

2050 *Samuel P. Williams—Direct.*

Mr. Gross: Will your Honor note an exception?

Examiner Reeves: Yes, sir.

(The last question was read by the reporter.)

A. I don't remember anything like that being brought up to us. That wasn't our policy.

Q. Is it a true statement to conclude this from the testimony you have given, that prior to 1927 since the time you began business, that you sold
2051 to any jobber who would handle your goods regardless of his selling policy? A. We had nothing to do with his selling policy. After we sold him the goods we were through with him.

Mr. Haycraft: I think that will be all, of Mr. Grier.

Examiner Reeves: Have you any cross examination?

Mr. Gross: No, sir, no cross examination.

Examiner Reeves: Let the record show that Mr. Williams is recalled for further examination, having been previously sworn.

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SAMUEL P. WILLIAMS, was thereupon recalled as a witness, and having been previously duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. HAYCRAFT:

Q. Mr. Williams, I show you page 3 of Commission's Exhibit 18, which purports to be a form letter which you dictated or wrote to the distributors

of Hart & Hegeman Manufacturing Company on August 20, 1927, or about that date, and which you identified when you were previously on the witness stand. I call your attention to the fifth paragraph reading, "In pursuance of this plan, it will not be practicable for us to furnish Arrow material to our distributors, and naturally the reverse will be true, that H. & H. material will be available only to Hart & Hegeman distributors." Do you recall the significance of that statement at that time? A. That statement simply emphasized the fact that there was no change contemplated at all in the 2054
policy of the company which had always prevailed.

Q. That is, that the Hart & Hegeman Manufacturing Company was not selling Arrow products? A. Yes.

Q. In the future, so far as the policy of the Hart & Hegeman Manufacturing Company was concerned, they would have to look to the Arrow Electric Company for Arrow products? A. Yes, sir.

Q. Why did you deem it necessary to make that statement to the trade? A. I imagine that when the trade learned of the formation of the holding company, that they might feel that they could obtain the products of either manufacturer from 2055
either manufacturer. That would be a natural conclusion.

Q. I believe you testified when you were on the witness stand before that you and Mr. Grier took this up and decided to inform the trade in this respect? A. Undoubtedly we did.

Q. The exhibit itself indicates that Mr. Grier brought this to your attention and suggested that you write this to the distributors. A. Yes.

Q. Did the Hart & Hegeman Manufacturing Company have any policy with respect to the class

of jobbers they would sell to in 1927? A. Only that we were endeavoring to select jobbers in each territory who would be most advantageous to us from every standpoint.

Q. In determining that question, whether they would be advantageous to you from every standpoint, did you take into consideration the question of whether or not they were price-cutters or price-disturbers in that territory? A. The selection of jobbers was left almost exclusively to the judgment of our local district managers. Whether that point entered into their considerations, I don't know.

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Q. Did you ever discuss it with them? A. Not to my knowledge.

Q. Did you ever hear the term "legitimate jobber"? A. I don't recall hearing that precise term. There is a recognized difference in the character of jobbers, but whether that precise term is applied to any particular type, I don't know.

Q. Do you recall at any time during the 15 months' period, from October, 1927, to January, 1929, of any jobber trying to buy Arrow goods from the Hart & Hegeman Manufacturing Company? A. No, I don't recall any specific case. An inquiry of that kind might never reach me. It might have happened frequently, so far as I know, but it would not probably get beyond the district manager.

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Mr. Hayeraft: I think that will be all.

Mr. Gross: That is all.

Mr. Hayeraft: Mr. Examiner, at this time I should like to ask counsel for the respondent a question which I understood from discussion we have had off the record he is willing to answer on the record, with reference to testimony of certain jobbers which the Commission has

introduced, who testified in Hartford, in Boston, and in New York City, at the hearings heretofore held. I refer to the testimony of Mr. John J. Keane and Mr. John M. Dalton, who testified on June 1 at Hartford, to all the witnesses at Boston on June 3, and to all the witnesses in New York City on June 5, being all the jobbers who testified in this proceeding, and my question with respect to the testimony of these witnesses is whether or not counsel for the respondent is willing to stipulate that their testimony is typical of the jobber customers of the respective companies, the Arrow Electric Company and the Hart & Hegeman Manufacturing Company, at the time they operated as separate companies or separate divisions of the present respondent, during the time covered by their testimony, and throughout the country wherever these concerns did business. 2059 2060

Examiner Reeves: Counsel for respondent will be offered an opportunity to make a statement for the record in response to the question propounded by counsel for the Commission.

Mr. Gross: Counsel for the respondent understands the suggestion of counsel for the Commission is to expedite the hearings, and counsel for the respondent is willing to stipulate with counsel for the Government, so that both sides will stipulate the same, that evidence of these jobbers already introduced would be fairly typical of the situation throughout the United States, and counsel for the respondent understands that counsel for the Commission does so stipulate. 2061

Mr. Haycraft: Yes.

Examiner Reeves: Is that satisfactory?

Mr. Haycraft: Yes, that is satisfactory to me, and I want it, of course, understood that

2062 I make the same stipulation that I am asking Mr. Gross to make for the respondents.

With that statement in the record, Mr. Examiner, counsel for the Commission rests.

Examiner Reeves: Counsel for the respondents will be offered an opportunity to now produce testimony in their behalf.

Mr. Gross: Mr. Examiner, counsel for the respondent would like to ask counsel for the Commission, who has now closed his case, whether the Commission makes any claim under the sub paragraph of the complaint, the supplemental complaint, relating to the re-
2063 straint of commerce or tendency to create a monopoly.

Mr. Haycraft: I am willing to make this stipulation: From the testimony that is in the record, it is my contention that there is no tendency to create a monopoly in the respondent corporation.

Mr. Gross: If your Honor please, at the close of the Commission's case, and before introducing any evidence on behalf of the old respondent or the new respondent, I desire to place on the record for the consideration by the Commission at the appropriate time this
2064 motion to dismiss the case, as in the nature of a motion for a nonsuit, on the ground that the evidence offered by the Commission fails to support the allegations of the complaint and/or supplemental complaint.

The grounds are that there is no evidence whatever in the record to show that the effect of the acquisition by the old respondent of the common stock of the Hart & Hegeman Manufacturing Company and the Arrow Electric Company was or might be to substantially lessen competition in electrical wiring devices

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between these two companies or to effect any restraint of commerce in electrical wiring devices, or to tend to create a monopoly in the commerce of such devices. There is no evidence to show that the use by the voting power or granting of proxies, or otherwise, by the old respondent of the common stock of the Hart & Hegeman Manufacturing Company or the Arrow Electric Company had been or was to substantially lessen competition in electrical wiring devices between these two companies or to effect any restraint of commerce in electrical wiring devices, or to tend to create a monopoly in electrical wiring devices. On the contrary, the evidence is all to the effect that there was no lessening of competition, either between the two companies or in the industry at large, but, rather, a stimulation of that competition.

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Furthermore, there is no evidence to indicate any injurious effect to the public from these various steps, as required by the Clayton Act, and the cases interpreting the same, including the case of the International Shoe Company. Whether, therefore, the interpretation placed upon the Act by my friend, as attorney for the Commission, or by us, as attorneys for the respondents, is taken, we respectfully submit that there is no evidence whatsoever to sustain the complaint and/or supplemental complaint.

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Furthermore, we respectfully move to dismiss both the original and the supplemental complaint, in the first place, on the grounds stated in our original motion to dismiss, filed in October, 1929, in the light of the evidence

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offered by the Commission, and, in the second place, on the ground that all the evidence introduced on behalf of the Commission establishes that whether or not the jurisdiction of the Federal Trade Commission extends over and beyond the period of the holding company into that of the new respondent, there has been no lessening of competition between the two divisions of the new respondent, either in the narrow interpretation of my friend, the attorney for the Commission, or in the interpre-

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tation which we as attorneys for the respondent place upon the Clayton Act, in the light of the decisions of the Supreme Court of the United States, particularly in the International Shoe case.

Furthermore, there is no evidence whatever that at any time, from October 6, 1927, to the present moment, the public has been in any way injured, but the evidence is all to the contrary, that the public at large has been benefited by what has taken place.

Examiner Reeves: The Examiner is of the opinion that he has no power or authority to

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pass upon a motion of this nature, and it will be held for action by the Federal Trade Commission on final hearing.

(Discussion off the record.)

Mr. Gross: I will call Mr. Wilson.

CHARLES E. WILSON, was thereupon called as a witness, and having been first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR GROSS:

Q. Your name, Mr. Wilson. A. Charles E. Wilson.

Q. Where do you live? A. Bridgeport, Connecticut.

Q. What is your occupation? A. Vice-President, General Electric Company.

Q. What department of the business of the General Electric Company do you have in hand? A. The merchandising department. 2072

Q. Does that cover in part what we know in this case as the Electrical Wiring Device Industry? A. It does.

Q. Does it cover some other, kindred articles? A. It covers construction material and all kinds of wiring materials.

Q. How long have you been connected with the General Electric Company? A. 32 years.

Q. How long have you been connected with the electrical wiring industry as part of your work? A. 8 years. 2073

Q. Is it part of your duty as Vice-President of the General Electric Company in charge of electrical wiring devices, and so forth, to be familiar with the electrical wiring device industry in this country? A. Yes, it is.

Q. And you are familiar with it? A. Yes.

Q. Are you familiar with its marketing conditions? A. I am.

Q. Are you familiar with the business of your competitors? A. Yes.

Q. With their types of products? A. Yes.

Q. Their methods of selling? A. Yes.

Q. Are you familiar with the products of the Arrow Electric Company and of the Hart & Hegeman Manufacturing Company, and the Arrow Division and the Hart & Hegeman Division, as shown in their catalogues? A. Yes.

Q. The exact date is not material, but are you familiar with the fact that, as testified here, in October, 1927, the common stocks of the Arrow Electric Company and of the Hart & Hegeman
2075 Manufacturing Company were acquired by a holding company with the title of Arrow-Hart & Hegeman, Incorporated? A. Yes, I know that.

Q. Are you also familiar with the fact that late in 1928, the holding company was dissolved, and as of January 1, 1929, the Arrow Electric Company and the Hart & Hegeman Manufacturing Company were merged and consolidated into the Arrow-Hart & Hegeman Electric Company? A. Yes, I know that merger.

Q. Are the electrical wiring devices sold by the General Electric Company similar in purpose to those manufactured formerly by the Arrow Electric
2076 Company and the Hart & Hegeman Manufacturing Company, and since January 1, 1929, by the Arrow Division and the H. & H. Division of the consolidated company? A. Yes, our lines parallel theirs.

Q. Prior to October, 1927, was your sales organization engaged in the endeavor of selling your wiring devices to the same type of customers as the Arrow Electric Company and the Hart & Hegeman Manufacturing Company were engaged? A. They were.

Q. And vice versa, at that time, were the Arrow salesmen and the Hart & Hegeman salesmen en-

deavoring actively to sell their products, respectively, to the same type of customers as those to whom you sold? A. They were.

Q. So that your sales organziation and their sales organization were endeavoring to sell generally to the same type of customers? A. That is right.

Q. From your familiarity with the industry and your competitors' business, so far as you could judge, after the organization of the holding company, in October, 1927, and during the remainder of 1927 and all during 1928, was there any change in the selling policy of the Arrow Electric Company and the Hart & Hegeman Manufacturing Company in this regard? A. None that I could ever see. 2078

Q. Did your organization and did you notice any lessening of effort after October, 1927, when the holding company was formed, on the part of the two organizations, that is, the Arrow Electric Company and the Hart & Hegeman Manufacturing Company, to solicit business and make sales of their respective products? A. Absolutely no lessening of effort.

Q. So far as you know, was there any change in the selling policy of these two sales organizations after October, 1927, from that previously carried on by them as the Arrow Electric Company and the Hart & Hegeman Manufacturing Company? A. No change. 2079

Q. Now, after January 1, 1929, which is the date when the Arrow Electric Company and the Hart & Hegeman Manufacturing Company were consolidated in the Arrow-Hart & Hegeman Electric Company, and the two sales organizations were continued as the Arrow Division and the H. & H. Division of the consolidated company, do you know of any lessening of effort on the part of these two

2080 *Charles E. Wilson—Direct.*

organizations to solicit business and make sales of their respective products? A. Still no change that I could see.

Q. And that brings you down to the present time? A. Yes.

Q. Now, having testified that both of these companies until the close of 1928, and both divisions of the merged company since January 1, 1929, have been actively engaged in competition with your company in the marketing of electrical wiring devices, I ask you, from your familiarity with the entire
2081 industry, whether or not, in your opinion, anything which has been done by the Arrow Electric Company or by the Hart & Hegeman Manufacturing Company, or by the old respondent, which is the holding company, or by the new respondent, the consolidated company, known as the Arrow-Hart & Hegeman Electric Company, that has had any effect or tendency to restrain commerce in electrical wiring devices, in which these two companies were severally engaged, in any way or in any place or in any community?

Mr. Haycraft: I object to that, Mr. Examiner, on the ground that it calls for a conclu-
2082 sion of the witness based on a statement of facts which are not in the record. The conclusion which he is called upon to make is one that the Commission itself must draw from all the facts in the record in order to determine the issues in this case.

Mr. Gross: If your Honor please, here we have one of the outstanding competitors of this company. This gentleman is at the head of that company so far as the electrical wiring device industry is concerned. He is an expert

in the marketing of electrical wiring devices, and he has been qualified as such; he is therefore qualified as an expert to state out of his own knowledge the situation in that industry; and I know of no better way than by calling one of our own outstanding competitors and asking him that question. Certainly we cannot call the general public. We can do nothing better than calling in a competitor to have him say whether we did anything inimical to the public.

Examiner Reeves: It occurs to the Examiner 2084
that this is a repetition of the objection urged at a previous session, and that you are asking the witness to state what is merely a conclusion.

Mr. Haycraft: Based on reports which he undoubtedly received, he believes from his knowledge of the industry that certain conditions exist as to solicitation and effort. Now, as to the result or effect of that testimony, that is for the Commission to determine, and not for this witness. You cannot put in a conclusion of this kind and rely on your judgment whether or not the act was violated. Of course, 2085
counsel for the respondent may argue it, but that is purely a matter of argument and opinion.

Mr. Gross: It is a broader question. It is a question of a conclusion of fact, and not of law; whether he has any complaint, virtually, against this concern as his competitor.

Mr. Haycraft: That is not an issue.

Mr. Gross: Oh, yes, it is. Your own rules of practice issued by the Commission have shown that there is nothing done by the Commission

except in the interest of the public, and the very best person who can say whether we injured the public is one of our competitors.

Mr. Haycraft: We are operating under a specific statute, and under the specific language of that statute.

(Discussion off the record.)

Mr. Gross: That again is the very narrow interpretation of that act. We rely on the International Shoe case, that there must be an injurious effect to the general public. I claim
2087 the question. It is a question which this witness can properly answer.

Examiner Reeves: The objection is sustained.

Mr. Gross: Will your Honor note an exception?

Examiner Reeves: An exception is noted.

Q. Have you or the General Electric Company, so far as the electrical wiring device industry is concerned, any objection to any of the selling methods of the Arrow Electric Company or the Hart & Hegeman Manufacturing Company, from October, 1927, to January 1, 1929, and after January 1, 1929, on
2088 the part of the Arrow Division and the H. & H. Division of the new respondent?

Mr. Haycraft: That is objected to, Mr. Examiner, as not within the issues of this case, whether this witness had any objection to the selling policy of the respondents.

Examiner Reeves: The objection will be sustained.

Mr. Gross: Will your Honor note an exception?

Examiner Reeves: Exception noted.

Q. Within your knowledge, has the Hart & Hegeman Manufacturing Company and the Arrow Electric Company from October, 1927, to January 1, 1929, done anything in the marketing of their goods which in any way restricted your company from free access to the trade and the freest competition in the trade with them? A. No.

Q. And likewise, the same question with reference to the period after January 1, 1929, on the part of the H. & H. Division and the Arrow Division of the consolidated company? A. No.

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Mr. Gross: Do I understand that counsel for the Commission makes no claim in this case of unfair methods on the part of the respondents?

Mr. Haycraft: There is nothing in the complaint. The methods are not an issue.

Q. Are you familiar with the Arrow trademark or brand which was placed on the goods sold by the Arrow Electric Company and now sold by the Arrow Division of the consolidated company? A. I am.

Q. Are you likewise familiar with the H. & H. trademark or brand which was used by the Hart & Hegeman Manufacturing Company and later used by the H. & H. Division of the consolidated company? A. I am. 2091

Q. In your opinion, what would have been the effect upon the organization of the holding company in 1927, or later upon the merger of January 1, 1929, upon the new respondent, if the marking of these separate brands on separate lines of goods would have been discontinued and one brand had been put out, indicating one line of goods?

2092 *Charles E. Wilson—Direct.*

Mr. Haycraft: I object to that question, Mr. Examiner, on the ground that it is irrelevant and immaterial to the issues in this case—the problematical effect. It is contemplating a situation which is not in the record. It is a prophecy as to something that has not happened. Therefore, it is incompetent, as well as irrelevant and immaterial.

Mr. Gross: I think it is clearly testified that the reason for the formation of the holding company was to preserve the integrity and the
2093 commercial value of the two distinct lines of goods, the two distinct brands, and that was the only purpose for forming that corporate organization.

(Discussion off the record.)

Examiner Reeves: The objection will be sustained.

Mr. Gross: Will your Honor note an exception?

Examiner Reeves: The exception is noted.

Q. As a competitor of the Arrow Electric Company and of the Hart & Hegeman Manufacturing
2094 Company, prior to October, 1927, and also from October, 1927, to December 31, 1928, was there competition in brands on the part of the H. & H. goods and the Arrow goods with the goods which you put out with the G. E. Brand upon them?

Mr. Haycraft: That is objected to as incompetent, irrelevant and immaterial to the issues in this case. The competition in this case is not restricted to these two brands, but includes competition among others, and to take a part

of the issue and separate it from the rest of the issue, to my mind, is not proper.

Mr. Gross: My learned friend is taking another horn of the dilemma. He has said that I cannot ask the broad question of a gentleman who is one of our outstanding competitors, but he dares to allege that there is a lessening of competition. I am going to show that there was a distinct competition between the Arrow and H. & H., and I am told that that is not proper.

Mr. Haycraft: There is a further reason, on the ground that it calls for a conclusion of the witness which the Commission must itself draw from all the facts in the case. 2096

Examiner Reeves: The objection will be overruled. You may proceed.

Mr. Haycraft: Exception.

(The last question was read by the reporter.)

A. There was competition.

Q. And that competition continued as strenuous after October 6, 1927, and during 1928, as it was prior to October, 1927?

Mr. Haycraft: That is objected to as incompetent, irrelevant and immaterial to the issue in this case. 2097

Examiner Reeves: Objection overruled.

Mr. Haycraft: Exception.

A. It did.

Q. Has that competition continued as actively since January 1, 1929, when the new respondent was formed, and these companies were selling as separate divisions? A. It has.

2098 *Charles E. Wilson—Direct.*

Q. Would your company have had as severe competition after October, 1927,—October 6, 1927, in selling G. E. goods if you only had one brand instead of H. & H. and Arrow brands, both, on the market, in your opinion?

Mr. Haycraft: That is objected to on the same ground, and as problematical.

Mr. Gross: I claim that, if your Honor please. He said there is competition between the two.

2099 Examiner Reeves: Will the reporter read the question?

(The last question was read by the reporter.)

Examiner Reeves: The objection is overruled.

Mr. Haycraft: Exception.

A. No, we would not have had as severe competition.

Q. Has the quality of the electrical wiring devices formerly marketed by the Arrow Electric Company and by the Hart & Hegeman Manufacturing Company, and then by the Arrow Division and by the H. & H. Division of the new respondent, in your opinion, improved or deteriorated since October, 1927?

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Mr. Haycraft: That is objected to as incompetent, irrelevant and immaterial.

Examiner Reeves: What is the contention of counsel for the respondent as to the materiality of that testimony?

Mr. Gross: I intend to prove by the best evidence possible, namely, by competitors, that the effect of these corporate steps to which the Federal Trade Commission takes exception in

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the interest of the public, has been to benefit the public by improving the quality and improving the industry.

Examiner Reeves: Do you think that is material?

Mr. Gross: I certainly do. It is the ultimate issue in this case, the final issue in this case.

Examiner Reeves: The witness may answer.

A. I believe the quality has improved.

Mr. Haycraft: Exception.

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Q. To what do you attribute this improvement in quality? A. I think it has been brought about by the consolidation of engineering forces, and the consolidation of manufacturing facilities, getting very much larger production in one place, which has enabled the manufacturer to devise very much better wiring devices.

Q. Have these two companies prior to December 31, 1928, and as two divisions since then, in your opinion, been able to effect economies in manufacture as a result of these steps?

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Mr. Haycraft: That is objected to on the ground that it is incompetent, irrelevant and immaterial to the issue in this case.

Examiner Reeves: The Examiner is of the opinion that this inquiry is immaterial, but inasmuch as I have let part of it in, counsel for respondent may proceed to a reasonable extent further.

Mr. Haycraft: In view of your ruling, Mr. Examiner, I move to strike out the last question and answer.

2104 *Charles E. Wilson—Direct.*

Examiner Reeves: The motion to strike is denied.

Mr. Haycraft: Exception.

A. I believe they have accomplished economies.

Q. As one qualified by long experience in the marketing of electrical wiring devices, and as head of your department in the General Electric Company, will you discuss the situation in the last five years in the electrical wiring device industry with reference to competition. Where is the real competition in the marketing of goods?

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Mr. Haycraft: Mr. Examiner, objection is made to that question on the ground that he can only point to one phase, the point of creating a monopoly, and counsel for the Commission has stated on the record that there is no showing up to the present time that there is any tendency to create any monopoly. The question is irrelevant and immaterial to the issues involved in the case, namely, competition between these two concerns.

Mr. Gross: If your Honor please, the questioning of lessening competition between these

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two concerns has been restricted by my learned friend as saying that the sole competition is between the two sales organizations in their sales to jobbers. In the testimony of the jobbers I have gone into the question whether that competition did not lead beyond that, the ultimate moving of the goods, being the jobbers' getting rid of their goods on the shelves, to the ultimate consumer. I am asking this man as an expert to explain the competitive situation as it developed in the past five years, and

where the real competition is in the industry. It seems to me that is the real question in the case, whether there has been any lessening in competition.

Examiner Reeves: The objection is overruled.

Mr. Haycraft: Exception.

A. The most difficult competition is not found in getting your goods on to the shelves of jobbers. It is found in having your goods used in as large a quantity as you want them to be used by the electrical contractors and by those industrials and 2108
manufacturers who purchase them from the jobbers. You can't depend on the jobbers to do a real selling job in favor of your goods with the large users. You have got to keep up a tremendous constant pressure yourself in favor of your goods with the architects, engineers and building owners. Even after you have prevailed on some, let us say, building owner, about to put up a new building, and then probably sold the engineer that he hires the quality of your goods, you have still got to go further and sell the electrical contractor your goods, and turn him over to the electrical jobber to make the purchase. Your tre- 2109
mendous competition is with your various competitors in making the ultimate consumer, who is usually the contractor or the manufacturer or the industrial, to take your goods over somebody else's goods.

Q. What does the General Electric Company do on its part to help the jobber sell his goods? A. We maintain at strategic points in the country so-called building equipment departments to work with the building owners and the engineers, archi-

2110 tects, industrials and manufacturers, prevailing upon them to use our goods, pointing out the quality features of them, and so forth.

Q. Do you advertise in trade journals, and otherwise, your brands? A. Yes. In an effort to obtain a good proportion of the wiring device and construction material business we carried on consistently for a number of years very extensive advertising compaigns, setting forth the value of the General Electric wiring system against our competitors' materials.

2111 Q. And that includes what we know as electrical wiring devices? A. Yes. Wiring devices are one important item in it. In our advertising we point out that our wiring devices are of high quality, to prevail on him that he ought to use it.

Q. And all this advertising, and all these efforts to sell these goods, are to induce the public to buy your goods from your jobbers? A. Yes. We can't depend on our jobbers for that work.

Q. Whether or not competition in the electrical wiring device industry is primarily a question as to how many jobbers in any town you can get? A. No, it is not.

2112 Q. Whether or not adding another jobber might lessen the volume of your trade rather than increase it? A. I would say that was immaterial.

Q. Whether there are concerns in the electrical wiring industry who may be considered leaders in the development of the art and the perfection and improvement of the devices themselves as distinct from the large number of other manufacturers in that same industry? A. Oh, yes, there are.

Q. Will you explain the question of competition between these different types of manufacturers? Is it entirely a question of price or a question of

quality or perfection? Just discuss that. A. There are a number of manufacturers in the industry who have large engineering forces and who keep abreast of the requirements of the wiring art, and who bring out quality merchandise to satisfy the changes in the art; and there are other manufacturers in the industry who maintain practically no engineering forces, but who follow these leading manufacturers, whose product is acceptable to the best engineering minds in the wiring industry. They follow them, and sometimes cut the quality somewhat, making merchandise that is—I regard it as 2114
somewhat unsafe—bringing it out, therefore, at lower prices against this quality of wiring material that we regard as safe, and the only kind we are willing to market.

Q. In which of these two classes do you put the Arrow Electric Company and the Hart & Hegeman Manufacturing Company before and after October, 1927, down to 1929; I mean, as leaders or followers? A. Unfortunately for my own business, and the one I am interested in, they have always been manufacturers of very high quality wiring devices, and still are.

Q. Is that same thing true since January 1, 2115
1929? A. Yes, it certainly is.

Q. What is the reputation of the engineering department of this concern? A. Most excellent.

Q. As one intimately acquainted with the domestic wiring device industry, and with its marketing conditions, I ask you whether anything that has been done in these corporate changes between the Arrow Electric Company and the Hart & Hegeman Manufacturing Company, including the organization of the holding company in 1927, and the final merger of the two operating companies into

the new respondent, has in any way injured the general public or that portion of the public which buys and uses electrical wiring devices?

Mr. Haycraft: That is objected to as incompetent, irrelevant and immaterial to any issue in this case.

Mr. Gross: I claim it, your Honor.

Mr. Haycraft: That is a conclusion which the Commission must draw, if it is an issue.

Examiner Reeves: The objection will be sustained.

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Mr. Gross: Will your Honor note an exception?

Examiner Reeves: Exception noted.

Q. If your General Electric Company today were enabled by some corporate steps to supplement your existing line of jobbers by putting on a new distinct line of jobbers alongside of them in all the communities, would your mass production be increased thereby?

Mr. Haycraft: That is objected to as incompetent, irrelevant and immaterial to the

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issues in this case.

Mr. Gross: My learned friend and I very strongly differ on this question of opinion evidence from an expert. I have found throughout my entire practice that a court welcomes expert advice and opinion on something that is peculiar to the particular industry involved, or the particular marketing conditions, or whatever the issue may be, and that when a man is once qualified, whether it be medicine, sales, or any other line in which he is an expert, he can

then aid the court by speaking out of his experience to enable the court to reach its conclusion on the advice of an independent expert. My learned friend has said that I cannot introduce opinion evidence from anyone in our organization, and I have gone outside and brought in two gentlemen who are leaders in the industry, who look at us from the outside, and my learned friend says that I cannot go into the question and give to the gentlemen on the Commission who are engaged in the electrical wiring industry and not engaged in any industry, expert assistance in the solution of the problems which are placed before them. 2120

Examiner Reeves: It does not appear to the Examiner that this is a proper question for development by expert testimony. It would no doubt be proper for counsel to show by the witness the conditions which existed in the industry prior to the creation of the holding company and the consolidated corporation and subsequent to the creation of such corporation, but to permit the witness to express an opinion with reference to the effect of the creation of such corporations would not be proper. The objection is sustained. 2121

Mr. Gross: Will your Honor note an exception?

Examiner Reeves: An exception may be noted.

Q. Have you in mind in the electrical wiring device industry any similar situation where a manufacturer has put out two brands with two separate sets of salesmen which you can refer to properly in evidence?

Mr. Haycraft: That is objected to as incompetent, irrelevant and immaterial to the issues in this case.

Examiner Reeves: The objection is overruled.

Mr. Haycraft: Exception.

A. Yes, I have in mind one line where there was a single manufacturer who made two brands and marketed them through separate sales organizations and through separate jobbers, and since they
2123 have continued to do that over a long period of years it is good evidence of the fact that that was the desirable thing to do, and in that way they got a larger proportion of the business than they would otherwise have enjoyed.

Mr. Haycraft: In view of the answer, I move to strike it out as not within the issues in this case.

Examiner Reeves: The motion will be denied.

Mr. Haycraft: Exception.

(Discussion off the record.)

2124 Q. On the record, Mr. Wilson, I will ask you whether you would rather not give the name of that concern? A. I would rather not.

Mr. Gross: That is all right. You may inquire.

CROSS EXAMINATION BY MR. HAYCRAFT:

Q. When you testified that the General Electric Company and the Arrow Electric Company and

the Hart & Hegeman Manufacturing Company back in October, 1927, were attempting to sell to the same type of customers, what did you have in mind? A. That they sold also to electrical jobbers; that they sold to manufacturers—say, appliance manufacturers, and so on. I had principally in mind that they distributed their goods through electrical jobbers. 2125

Q. I believe you testified that you had observed no change in the selling policies of these organizations? A. No, I haven't.

Q. When you testified to that effect, did you have in mind any of the recent developments in their sales organizations whereby they have one sales manager in Hartford and district sales managers in various parts of the country who have charge of salesmen representing and selling both lines, the Hart & Hegeman and the Arrow? 2126

Mr. Gross: I object to "salesmen selling both lines."

(The last question was read by the reporter.)

Mr. Haycraft: That question is correct.

Mr. Gross: I don't think that question is borne out by the testimony. 2127

Mr. Haycraft: There isn't any question about it.

Mr. Gross: Salesmen selling both lines?

Mr. Haycraft: Yes, there is evidence that salesmen call on the trades and take orders for either Hart & Hegeman or Arrow.

Examiner Reeves: That is the recollection of the Examiner. I am not very positive about it, though.

2128 *Charles E. Wilson—Cross.*

Mr. Gross: I object to the form of the question as misleading and as a misinterpretation of the line of testimony.

Examiner Reeves: The objection will be overruled.

Mr. Gross: Exception, please.

A. I haven't that particular thing in mind, because I don't know that to be a fact, as you stated, that they have single salesmen who sell both lines.

Q. You don't know? A. No.

2129 Q. It has never been reported to you? A. No.

Q. If that were a fact, would that be a change in their policy? A. So far as I know, it would be no change in their policy.

Q. Do you know, then, that they had a sales manager in various district offices who had charge of salesmen selling both lines? A. Yes, I have understood that to be the fact.

Q. Would you say that was not a change in their sales policy? A. Why, it is a change in organization. I would regard it as a change in organization. I don't see that it has any effect on the sales policy.

2130 Q. What is your idea of a sales policy? A. Of a sales policy?

Q. Yes. A. A sales policy is a plan under which your organization works, the policy having been laid down by somebody.

Q. Prior to October, 1927, the Arrow Electric Company had a sales organization made up of a sales manager here in Hartford and various district sales offices scattered all over the country under district managers? A. Yes.

Q. And they had salesmen selling Arrow products exclusively? A. Yes.

Q. Likewise, the Hart & Hegeman Company had a similar organization? A. Yes.

Q. Would you say that the merger of these two organizations, whereby one man was the head of the sales organization and they had district sales managers in various parts of the country who have charge of salesmen selling both lines of goods would not be a change in the policy of that organization? A. It is a change in the organization, but their sales policy might be exactly the same as it has been previously.

Q. It might be? A. Yes, and according to my 2132
best knowledge, it was.

Q. Back before 1927, did you ever hear of an Arrow Electric Company salesman taking orders for Hart & Hegeman Company products? A. I have not heard of it since.

Q. Did you ever hear of a Hart & Hegeman man being in charge of Arrow salesmen? A. Prior to that time?

Q. Prior to that time? A. No.

Q. Did you ever hear of an Arrow man being in charge of Hart & Hegeman sales prior to that time? A. No.

Q. A merger of these companies in that form 2133
would not change the policy? A. Not any policy, any sales policy, no. Just a change in the organization structure.

Q. Was it the policy, so far as you know, for the division superintendents or district managers of the Arrow Electric Company prior to October, 1927, to solicit business for the Hart & Hegeman Manufacturing Company? A. For the Arrow—I want to be sure that I have your question. Was it the work of the Arrow district supervisor to

2134 *Charles E. Wilson—Cross.*

solicit business for the Hart & Hegeman Company prior to 1927?

Q. Yes. A. No, I don't think it was.

Q. Was it the policy of the Hart & Hegeman district managers to solicit business for the Arrow Company? A. Of course, I wouldn't think so.

Q. So far as you know, the Arrow organization was intent upon selling Arrow products prior to October, 1927? A. Yes.

Q. And the Hart & Hegeman organization was intent upon selling Hart & Hegeman products? A.
2135 Yes.

Q. In your testimony on direct examination you referred to the competition that existed between the Arrow, Hart & Hegeman brands, and the General Electric brands. What do you understand to be the meaning of the word "competition?" How would you define "competition?" A. Fighting for business, one against the other.

Q. And fighting—what do you mean by "fighting?" A. Using every fair means, such as impressing upon the respective buyer the higher quality of your goods, pointing out all its good features, impressing him with the service that you
2136 are able to render. Of course, it depends a great deal on the lines that have lasted a few years; impressing him with the fact that you are a concern that is going to do business in years to come, in the event anything goes wrong.

Q. Does price enter into it? A. Does price enter into it?

Q. Yes. A. Yes, price enters into it, to some degree: after all, there we have simply to meet whatever the market conditions are.

Q. Do credit terms have anything to do with it? A. A great deal to do with it, but not in fighting

to get the business. Whether you go to fight for the business,—you know in advance whether the credit is good, otherwise you don't go and fight for it.

Q. When you say that this competition has continued, do you mean the competition between the sales organizations of the two divisions, the Arrow Division and the Hart & Hegeman division of the Arrow-Hart & Hegeman Electric Company, has continued?

Mr. Gross: Since when?

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Q. Since October, 1927. A. If I understand your question right, it is whether I have noted whether there is competition between the Arrow,—between the Arrow salesmen and the Hart & Hegeman salesmen, whether it has continued.

Q. Yes. A. Yes, they fight for their business just the same.

Q. Where have you observed that? A. I have observed that specially in building work, where any number of companies have been specified for the wiring devices, that the Arrow people have fought for and the Hart & Hegeman people have fought for, in competition with the General Electric Company and any number of other competitors; all fought for the business.

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Q. In your observation, did you ever see an Arrow man solicit one week for Arrow and the next week for Hart & Hegeman? A. Never.

Q. If that were true, would you still be of the opinion that there was competition between the two divisions? A. If the salesman one week would advance the cause of the Arrow Company and the next week the same person would advance the

2140 cause of the Hart & Hegeman goods—well, I just can't conceive of that happening. It has never come under my observation.

Q. What would your opinion be if it did happen? A. I should say that the salesman was spreading himself pretty thin with that particular buyer. It possibly would be helpful to me.

Q. Suppose he wasn't calling on the same man, but called on a number of contractors? A. If he called on another contractor, I don't think it would be nearly as serious from the standpoint of hurt-
2141 ing his own cause.

Mr. Gross: I would like to note on the record that I do not object to his calling for a conclusion on his part.

Mr. Haycraft: His conclusions are in the record over my objections.

Mr. Gross: You are calling for a conclusion on hypothetical statements of what might be.

Mr. Haycraft: They are based on evidence in the record.

Q. Going one step farther, if one man directs
2142 the sales policy of a group of salesmen selling Arrow products and a group of salesmen selling Hart & Hegeman products, would that have anything to do with your answer that this competition has continued since January 1, 1929? A. No, it would not.

Q. And why? A. Well, because I can give you —I can think of another notable case where one man does direct—where one man is responsible for the sales policy of several groups of salesmen selling identical goods, or almost identical goods, under different trademarks, where there is a keen

competition between those groups of salesmen for the jobbers' business.

Q. How keen? A. Exceedingly keen. Keen because their compensation depends on the volume of business they get.

Q. Is that the way you measure competition, the keeness of competition, by that fact? A. What do you mean by the fact?

Q. The fact that the salesman has to depend for his compensation upon the amount of business he gets. A. I would measure it on whether it was just for the salesman to get the business or whether his living depended on it. If his living depended on it he is fighting for all the business he can get. 2144

Q. Within certain limitations? A. I don't think—

Q. Let me ask you this: Did you ever hear of a Hart & Hegeman salesman cutting his price on Hart & Hegeman products, or vice versa? In other words, did you ever hear of any price competition between an Arrow salesman and a Hart & Hegeman salesman, knowing that one man is in charge of both salesmen? A. Yes, I have.

Q. Where? A. That is, I have heard—I can't say that I have run the cases down, and therefore it is purely hearsay, but I have frequently heard of salesmen for both of these companies quoting prices that were lower than the going prices of things. 2145

Q. Both salesmen? A. Wait a minute. I only heard of one case doing it, one of the brands doing it. In other words, I have only heard of the case of an Arrow salesman cutting the price.

Q. That might be. You don't know that that competed with the Hart & Hegeman salesman when he made that cut? A. I should say he must have been competing with him.

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Q. Why so? A. We will say the Arrow man cuts his price. The Hart & Hegeman man was selling similar goods to another line of jobbers. Therefore it is to be assumed, since we did not hear of it, that he must have.

Q. He did not sell the same line of jobbers that the Arrow salesman did? A. In some cases he did and in some cases he did not.

Q. You stated that that was hearsay. As a matter of fact, all your testimony on the activities of the Hart & Hegeman people and the Arrow people

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was hearsay, wasn't it? A. I don't claim to be getting out in the field and selling these goods myself.

Q. You never came in direct contact with them? A. With the salesmen of the Arrow-Hart & Hegemany Company?

Q. Yes. A. No.

Q. Your testimony is based on reports that are made to you by your salesmen? A. By salesmen, the district supervisors, the sales manager.

Q. Can you conceive of a sales manager giving instructions to salesmen selling one line like the Arrow and another group of salesmen selling an-

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other line, like the Hart & Hegeman, where they would compete with each other in price or in credit, service, or anything of a vital nature of that kind? A. Yes.

Q. Where would your profits go? A. I wouldn't expect that to affect my profits.

Q. In other words, if you had a group of salesmen selling Arrow products and another group selling Hart & Hegeman products, you would allow one group—the Arrow, for instance—to cut prices to take business away from Hart & Hegeman; to cut each other's throats to get business away from

each other? A. No, I would not think it was necessary to cut their throats.

Q. I am asking you whether it is conceivable where a sales manager has two sets of salesmen selling two lines of competing products— A. To cut each other's throats?

Q. Yes. A. I don't know it would be necessary in this day and age to make it possible for them to do it.

Q. That is not responsive to my question. A. That is the best answer I can give you. I can't conceive of a condition that would be necessary to let 2150 them cut each other's throats.

Q. Or carry a lower price or give better terms? A. I can conceive of where one organization might, through its jobbers, find a condition that it had to meet, and my sales manager would tell him to meet that competition.

Q. With an outside competitor, but not with your own sales organization. That would be outside competition? A. It would have been brought about by outside competition.

Q. You would not allow one salesman to create a condition of that kind with another salesman of your own organization? A. I certainly would not 2151 have many cases.

Q. You expect to show profits from your sales. How long would it last if you allowed that? A. After all, the competition in this business we are talking about is the competition of the different— we are dealing with certain facts, and not with theories that might apply—the competition is to have your goods specified, and so on, and have them acceptable to the users, and there is your big fight.

Q. The user is interested in price? A. He is, but he is interested in other things; in quality, in serv-

2152 *Charles E. Wilson—Cross.*

ice; he is interested in getting the goods that the engineer on his job will pass; he has got a lot of other interests in addition to the price consideration.

Q. Now, as to the competition between these two lines with your electric jobber, your contractor, and your industrial organization: You have testified that it did not make any difference how many jobbers you had in a community in the volume of sales that you might sell, is that correct? A. I would qualify that a little bit this way, if I may: It de-

2153 pends on the kind of field organization that you yourself maintained. Now, in a territory where you did not maintain a field organization or organizations of your own, fighting for the contractors and the engineers' and the architects' and building owners' business, why, then the number of jobbers that you may have in a territory will affect the volume of your business. In other words, there is a certain stream that flows into the jobbers, of pick-up business, that a multiplicity of jobbers will be in your favor, whereas if you maintain your own organization, or fighting with these people, it doesn't make so much difference.

2154 Q. Don't some of these jobbers push a manufacturer's line exclusively? A. The fight that they put up for the manufacturers' goods is not satisfactory. It is not worth while.

Q. Then, if you had three, instead of one, would you still say that it would not increase it? A. On the pick-up it would.

Q. Where your brand has so much demand without— A. They come in and ask for it. If I could have more brands, I would take on more jobbers, and I would get more business in total. I wish I had five brands.

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Q. You would have more business? A. Yes, I would get more business, and by using tremendous advertising for each one, I would create more demand for them, and in that way they would be more valuable.

Q. What percentage of the electrical wiring jobbers of the country would you say stocked goods, compared with those who merely took orders? A. Electrical wiring jobbers?

Q. Yes. A. The vast majority of them stock goods. Electrical wiring jobbers?

Q. Yes. A. Oh, by all means.

2156

Q. Is it your idea, then, that they sit down and wait until the demand comes to them for the goods from the electrical contractors, industrials, and manufacturers? A. Oh, no, they don't sit down and wait for it. A jobber's salesman—a jobber maintains a sales force, but the average electrical jobber in this country today carries a tremendous line of many items, hundreds of items, and the wiring devices are a comparatively small part, and the average jobber will have on this line of material that we are talking about a comparatively few number of salesmen. Having to cover these thousands and thousands of items, you can't depend on them to get business. That is why you can't depend on them for all the volume you want. You have to supplement that, because it is spread too thin.

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Q. In supplementing it, in going direct to the consumer or user, do you make any different inducement other than you would in making sales to an electrical jobber? A. Our policy is not to sell. While we could get more profit, we have them buy their goods from the jobbers in that territory.

Q. Do you have anything to say about the prices that the jobber will charge this consumer? A. No;

the jobber makes the prices. We sell the quality and service, and so on.

Q. By service, you mean shipment? A. Yes, and the service that he will get, and we advertise that the G. E. products are made for lifetime use; that they are the best wiring devices, and we advertise that they will last as long as the house will last, and will not give trouble, such as blowouts, and so on.

Q. And the Arrow-Hart & Hegeman Electric Company advertises the merits of the two lines, the
2159 Arrow and the Hart & Hegeman? A. Both are accepted as excellent lines, but not quite as good as General Electric.

Q. And they are manufactured in the same factory by the same men? A. Yes.

Q. And so far as any inducement to the user is concerned, that would be the same, so far as these two products are concerned? A. I think so; they are both good.

Q. Do you know of any inducement that the Arrow salesmen could offer to the consumer and that is not offered by the Hart & Hegeman salesman calling on the same man? A. No, I don't know.

2160 Q. The same quality; the same service? A. The same quality.

Q. The same service? A. Yes, the same goods.

Q. You say so far as your price and credit is concerned, the jobber has to take care of that? A. Yes, he makes his own resale prices. Competition governs what you sell it at.

Q. Then, if I understand you correctly, competition in this particular field you might divide into two sections, into two distinct fields, one, competition between the manufacturers to get the business of the jobbers, and the other, to get the consumer

to take on the articles? A. Yes. competition does not stop with getting the jobber to take the goods.

Q. So far as the jobber is concerned, competition between the various manufacturers, it is primarily terms of sale and the price, is that correct? A. Well, the jobber takes on the line that the manufacturer has created the demand for. That is a consideration for the jobber, and the standing it has in his particular territory.

Q. Upon what information was your testimony based with respect to the economies that were worked out by the consolidation of these two concerns, the Arrow and the Hart & Hegeman? A. 2162
Well, from time to time they invited me to look over the plant—all our competitors invite us to come in and look over the plant, and we long ago adopted the policy of throwing our plants open.

Q. To any of your competitors, small and large? A. Yes, the worst gyp competitor we have we showed through our plant here just a few months ago.

Q. Did you look over the books of the Arrow-Hart & Hegeman organization to observe the saving in money? A. No, no, but I have been in the manufacturing business for about 32 years, all of my business life. In fact, I ran the plants of the General Electric Company for years, and I can tell 2163
the difference in manufacturing operations; I know the difference in combining manufacture in one place and getting double the volume through the equipment. There is no question about it.

Q. This economy in money: that wouldn't answer for the improvement in quality? A. Oh, well, you have got a certain competition to meet, and by geting economy in manufacture, that enables you to make refinements in quality and still meet your competition. That has been true. I could cite

numerous cases where we have been able to do it. Take one of the most important items in this line, in which we increased our production two or threefold at Bridgeport. In planning that we made various quality improvements that were possible, and gave to the public an article that is infinitely better, and that was only possible because we had gotten an exceedingly larger production. It could not have been possible before with a small production.

Q. Then, as I understand your testimony, with reference to economies that may have been worked
2165 out as a result of this merger, it is based on what you have observed, on your general experience, and not upon any study you have made of this corporation? A. I haven't made any study of these records.

Q. What products did you have in mind that you say were improved in quality? A. Sockets.

Q. Whose sockets? A. Arrow and Hart & Hegeman.

Q. Just what happened? A. Why, their mechanisms were improved, their operating mechanism.

Q. What did they do to bring about that improvement? What change in their operations took place
2166 to bring about the improvement? A. They changed their designs.

Q. Both designs? A. Yes, as far as I know, both.

Q. It is not your understanding that one manufactured the other's line after the consolidation?

Mr. Gross: After which consolidation? You are confusing these two periods right along.

Mr. Haycraft: I am not from my own standpoint.

A. I am frank to tell you that I don't know the exact dates of these changes.

Q. I couldn't expect you to do that. I do expect you to know something of what transpired, from the answer you made. A. If I may take another item— 2167

Q. Let us take sockets. A. I just can't tell you the date. I remember they changed their mechanism.

Q. Which one? There are two organizations. Did they both change, or did one change to conform to the other? A. I can't answer that. I know that the Arrow socket definitely happened to be the one I saw manufactured. The Arrow socket, in my judgment, improved, I thought, substantially. 2168

Q. You are sure it was not Hart & Hegeman sockets that were improved? A. I am not sure that they were not also improved, but say I saw the Arrow sockets manufactured.

Q. About when was that? A. I would have to say about—it was about—I am trying to think on that. I would say about 18 months ago.

Q. How would you compare that? With some previous inspection of the plant that you had made? A. Yes. I had been in there various times before.

Q. Before 1927? A. Yes, right up to date.

Q. Do you know where Hart & Hegeman sockets were manufactured prior to October, 1927? A. I can't remember that I saw the Hart & Hegeman socket. 2169

Q. Are you acquainted with the Paiste plant over in Philadelphia? A. No.

Q. Are you acquainted with their line of goods? A. I am acquainted with their line of goods, but I have not been through their plant.

Q. What other items do you have in mind when you say the quality was improved? A. I think attachment plugs were very much improved.

Q. When was that? A. Well, I don't know the dates. Well, some time during 1929, I think, the big improvement took place in them. I think it was in 1929.

Q. Both lines? A. Yes.

Q. Are you acquainted with the fact that some of their articles now being put out bear the trademark Arrow-Hart & Hegeman, both? A. I believe so.

Q. What effect, if any, is that going to have on the situation? A. I don't know that it will have
2171 any serious effect.

Q. Isn't it a combining of the good will of the two trademarks? A. That is a question that I would not feel qualified to answer, what the effect of that would be. I know what I might do under similar conditions. I know what I would do. Whether what I would do would be right, or what somebody else would do would be right, I don't know.

Q. You are put on here as an expert, and I am—

Mr. Gross: Do you want his conclusion, Mr. Haycraft?

The Witness: My conclusion as to what I
2172 would do?

Q. Now, I am just asking you whether or not the combining of that name, using the trademark Arrow-H. & H., is not combining of the good will of the two trademarks?

Mr. Gross: I object to the question. "Would be" and not "is not".

A. I would like to answer the question this way, that I personally would maintain—if I had two

trademarks, with a great deal of good will around each of them, I personally would maintain the lines separately, and I would fight for volume on each line.

Q. For what purpose? Why? A. Because each of those trademarks has a lot of good will, and I would maintain the volume that would come to me because of the good will of this trade mark.

Q. To retain your volume of sales or increasing your volume of sales by pushing two lines? A. Yes, I would hope to.

2174

Mr. Haycraft: I believe that is all.
Mr. Gross: That is all.
(Witness excused.)

ROBERT N. EAMES, was thereupon called as a witness, and having been first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. GROSS:

Q. Will you state your name, please? A. Robert N. Eames.

2175

Q. Where do you live? A. Bridgeport.

Q. What is your occupation? A. I am general manager of the Bryant Electric Company.

Q. How long have you been connected with the Bryant Electric Company? A. 25 years.

Q. Is the Bryant Electric Company engaged in the sale of electrical wiring devices? A. It is.

Q. How long have you been general manager? A. A little over a year.

Q. And before that what were you? A. Sales manager.

2176 Q. How long were you sales manager? A. 10 years.

Q. And prior to that? A. Export and service manager.

Q. As a result of your long period of service with the Bryant Electric Company, are you familiar with the electrical wiring industry in this country? A. I am.

Q. Are you familiar with the marketing conditions of that industry? A. I am.

Q. Are you familiar with the business of your
2177 competitors, and the general character of their business? A. I am.

Q. You are familiar with the various types of products of your principal competitors? A. I am.

Q. And with their methods of sales and distribution? A. I am.

Q. In particular, have you been familiar with the products of the Arrow Electric Company and the Hart & Hegeman Manufacturing Company prior to October, 1927, as shown in their catalogues? A. Yes.

Q. And likewise with reference to the products of the Arrow Division and the H. & H. Division of
2178 the consolidated company since January 1, 1929? A. Yes.

Q. Not specifically as to date, but are you familiar with the fact that about October, 1927, the common stocks of the Arrow Electric Company and the Hart & Hegeman Manufacturing Company were acquired by a holding company known as Arrow-Hart & Hegeman, Incorporated? A. I knew it at the time. I wouldn't be able to fix the date at this moment.

Q. And likewise, were you familiar with the fact that subsequent to that the holding company was

dissolved and the two operating companies were merged into the Arrow Hart & Hegeman Electric Company? A. Yes.

Q. And that date was fixed as January 1, 1929. Are the electrical wiring devices sold by your company similar to those manufactured formerly by the Arrow Electric Company and the Hart & Hegeman Manufacturing Company and since January 1, 1929, by the Arrow Division and the H. & H. Division of the consolidated company? A. They are.

Q. Prior to October, 1927, were your salesmen engaged in endeavoring to sell your products to the same type of customers as the Arrow Electric Company and the Hart & Hegeman Manufacturing Company? A. They were. 2180

Q. And, vice versa, prior to that time, were the Arrow salesmen and the Hart & Hegeman salesmen endeavoring actively to sell their products, respectively, to the same type of customers as those to whom you were selling? A. They were.

Q. In other words, did your organization and their sales organization endeavor to sell generally to the same type of customers? A. Yes.

Q. After the organization of the holding company in October, 1927, and during the year 1928, did you observe any change in the selling policy of the Arrow Electric Company and the Hart & Hegeman Manufacturing Company? 2181

Mr. Haycraft: I must object to that question, until we find out what that policy is. It calls for a conclusion of the witness. I object to the form of the question.

Mr. Gross: I claim the question. It is a preliminary question. We have had the question before, and it was allowed.

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Mr. Haycraft: Yes, and I did not make any objection to it. Now I can see an objection to it from what has developed in the other examination.

Examiner Reeves: The objection will be overruled.

(The last question was read by the reporter.)

Mr. Haycraft: That is objected to as indefinite, Mr. Examiner.

Examiner Reeves: The objection will be overruled.

2183

Mr. Haycraft: Exception.

A. As far as I know, and we were pretty closely in touch with the situation, there was no change.

Q. Did you notice any lessening of effort after October, 1927, on the part of these two companies, the Arrow Electric Company and the Hart & Hegeman Manufacturing Company, in their solicitation of business and making of sales of their products? A. There was no lessening of effort on the part of either.

Q. After January 1, 1929, when the Arrow Electric Company and the Hart & Hegeman Manufacturing Company were consolidated into the Arrow-Hart & Hegeman Electric Company, and the two sales organizations were continued as the Arrow Division and the H. & H. Division of the consolidated company, did you notice any lessening of effort on the part of these two sales organizations in soliciting business or making sales of their respective products? A. There was no lessening in this effort.

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Q. Having testified that both of these companies until the close of October, 1928, and both divisions

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of the merged company since January, 1929, have been actively engaged in competition with your company in marketing electrical wiring devices, I ask you whether, in your opinion, anything which has been done by the Arrow Electric Company or by the Hart & Hegeman Manufacturing Company, or by the holding company, the old respondent, or by the consolidated company, the Arrow-Hart & Hegeman Electric Company, has had any effect or tendency to restrain commerce in electrical wiring devices, in which these two companies were severally engaged, anywhere or at any place.

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Mr. Haycraft: That is objected to on the grounds stated previously in the record on questions propounded to the preceding witness.

Examiner Reeves: The objection is sustained.

Mr. Gross: May I have an exception?

Examiner Reeves: An exception is noted.

Q. Has your company been restricted in any way in its operation in selling its goods by anything which these various Arrow and Hart & Hegeman Companies have done since October 6, 1927?

2187

Mr. Haycraft: That is objected to on the same ground.

Examiner Reeves: Objection overruled.

A. No, we have not.

Q. Are you familiar with the Arrow trademark placed on goods formerly sold by the Arrow Electric Company and now sold by the Arrow Division of the consolidated company? A. I am.

2188 *Robert N. Eames—Direct.*

Q. Are you likewise familiar with the H. & H. trademark or brand used by the Hart & Hegeman Manufacturing Company and later by the H. & H. Division? A. I am.

Q. In your opinion, what would have been the effect, if upon the organization of the holding company, in 1927, or later, upon the merger, on January 1, 1929, the marking of these separate brands or different lines of goods had been discontinued and one line of goods put out under one brand had been substituted?

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Mr. Haycraft: I object to it on the same grounds.

Mr. Gross: I claim it now. My friend went into it very fully at the close of his examination.

Examiner Reeves: The objection will be overruled.

A. As a competitor we were closely in touch with the situation at that time, so far as we could be from information that we secured, and we hoped that they would combine with one brand, which would have made it very much easier for us.

2190

Q. Has the quality of the electrical wiring devices formerly marketed by Arrow and by the Hart & Hegeman Company, and later by the Arrow Division and the H. & H. Division of the Arrow-Hart & Hegeman Electric Company, improved or deteriorated since October, 1927?

Mr. Haycraft: I object to that.

Examiner Reeves: Objection overruled.

Mr. Haycraft: Exception.

A. It has improved.

Q. To what do you attribute this improvement in quality?

Mr. Haycraft: The same objection.
Examiner Reeves: Overruled.
Mr. Haycraft: Exception.

A. Well, first off, it was the natural trend of the art. It was necessary to have improvements in order to keep pace with the competition, and it was obvious that it became possible for the Arrow-Hart & Hegeman organization to expend more money as they consolidated on the engineering and 2192
research work in the development of high-grade material.

Q. Whether or not the increased volume of manufacture enables economies to be accomplished?

Mr. Haycraft: That is objected to, on the same grounds.

Examiner Reeves: The objection will be overruled.

Mr. Haycraft: On the further objection that the question is leading.

Examiner Reeves: Are you urging the objection that his question is leading? 2193

Mr. Haycraft: I make that objection.

Mr. Gross: I withdraw the question.

Q. In your opinion, has it been possible since October, 1927, for these two companies first, and then later, the two divisions, to effect economies in manufacture as the result of these corporate changes?

Mr. Haycraft: That is objected to on the ground that it is incompetent, irrelevant and immaterial to the issues in this case.

Examiner Reeves: The objection will be overruled.

Mr. Haycraft: Exception.

A. There is no question about it. We have been through a somewhat similar set of circumstances twice and with the same results.

Q. Has the engineering department of the Arrow Electric Company and the Hart & Hegeman Manufacturing Company prior to the merger, and since then as the merged company, had a good reputa-
2195 tion? A. Excellent.

Q. What is the state of the electrical wiring industry in regard to character of manufacturers?. A. There seem to be two groups; one is sometimes called the old line of manufacturers, who are in it for years and hope to be in it for a great number of years, and who must plan accordingly, and who maintain research departments and laboratories and corps of engineers and experts of various kinds; and the others who are apparently in it for what they can get out of it while the going is good, and expect to liquidate and get out, and who make no particular preparations for the future.

2196 Q. In which class do you place the Arrow and Hart & Hegeman Companies before the merger and since the merger? A. Throughout that time we place them in the first class.

Q. What is the real aim of the sales organization of your company in marketing its goods?

Mr. Haycraft: That is objected to as incompetent, irrelevant and immaterial to the issues in this case. The Bryant Electric Company is not a party respondent to this proceeding.

Examiner Reeves: The objection will be sustained.

Mr. Gross: May I have an exception?

Examiner Reeves: Exception noted.

Q. What is the real sales effort of the electrical wiring industry, including your company and the Arrow and the Hart & Hegeman Company and the consolidated company?

Mr. Haycraft: That is objected to for the same reason, and for the further reason that it is entirely too broad. 2198

Examiner Reeves: Objection sustained.

Mr. Gross: May I have an exception?

Examiner Reeves: Exception noted.

Q. Will you discuss the question of competition in the electrical wiring device industry during the past five years?

Mr. Haycraft: That is objected to.

Examiner Reeves: Objection overruled.

A. Well, there are—

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Mr. Haycraft: It is too broad and too indefinite; that is a further objection.

Examiner Reeves: The objection will be overruled.

Mr. Haycraft: Exception.

A. This might be a very long story.

Q. Develop the situation as fully as you can. A. To begin with the jobbers; there may be two or three may be five in this territory. Manufacturers need that distribution, and naturally they cultivate

these different jobbers and endeavor to secure their support; also, they desire to have these jobbers stock their material. In years past the jobbers have created the market to a great extent. The number that the wiring device manufacturers furnish to any one jobber stocking the material is rather limited—in other words, they have a great variety and many classes of goods to sell. Among their salesmen they cannot have experts for all the different lines that they handle. When two groups of salesmen are put on, some kind of bonus or reward sys-
2201 tem is used, and particularly with jobber salesmen, as I understand it. These salesmen naturally undertake to sell the things that are most profitable to them, and to their companies, so their reward will be greater for selling profitable items, and therefore, a manufacturer who is dependent on these jobbers to distribute his goods finds it necessary to put forth a greater effort himself all the time to create a demand for these goods; so that the jobbers function as a sales channel for the manufacturers' goods is not anything like it was ten or fifteen years ago. Therefore the manufacturer has to put out a great deal more effort himself, and the result has
2202 been that manufacturers have increased their own sales forces. They have developed a demand among the consumers, and by consumers we mean perhaps the owner, perhaps the engineering organization, and in the case of a very large building, we can even in our case call the consumer the contractor or dealer. Now, it becomes necessary for the manufacturer to create that demand. He wishes to have the jobbers carry his material in stock, so that if any demand is created in the contractor or dealer or the consumer, as to his material, it will be available, and without delay. There are some old con-

servative jobbers, the same as there are old manufacturers, and there are young and active and aggressive jobbers who are willing and can operate on very much lower percentage of profit. Some manufacturers prefer one kind of jobber, and some prefer the other kind. In some territories a manufacturer will have several jobbers covering the same city, and in other cases a manufacturer prefers to have an exclusive representative. The competitive condition is more difficult today and during the past four years than it has ever been in this industry. Do you want me to go further? 2203

Q. Please. A. There are a lot of competitors who consider it is not necessary to have jobber distribution, particularly those who are not, as I stated, perhaps building for the future and planning to stay in the industry, and who are selling direct, without the jobber, and the old manufacturers who sell through jobbers have to take that into consideration. Nevertheless, it is assumed by these, the latter grade of manufacturers, that the benefits that they get from selling through a jobber, and by that I mean service and credit, and matters of that kind, offset the benefits that the other manufacturer gets in price by selling direct to the consumer, the consumer getting from them somewhat lower prices than by buying the other material through jobbers. It all results in the manufacturers having to maintain larger selling organizations of their own to create a demand all over the country. I don't claim that jobbers do not sell. Jobbers do sell. They have certain contacts in certain avenues which make it attractive for a manufacturer occasionally or many times to have more than one jobber in that territory, because the jobbers are in 2204 2205

2206 contact with different classes of trade. I can enlarge on that a little more.

Q. What you do to get to the ultimate consumer. A. What we must do first, is on specification work, and that means large buildings, apartment houses, where there is enough material to justify the effort —we must have our own field men get in contact with the architects, engineers, to see that the material will be specified, and from this it is a choice of two or more lines in this specification, and after that the manufacturer's man must see to it that—

2207 in our case—the Bryant material is clearly specified by the engineer or by the contractor, if it is the contractor who has the choice of the material, and we must keep in continual contact with the consumption, to see that the material is specified and right up to the moment when it is actually on the job; in fact, until it is installed, to see that for some reason or another the specifications are not changed and something else is put in place of it.

The matter of competition because of the price on the material which is a recognized quality is not so great as the competition on service, quality, and various relationships. Personal relationships will

2208 enter into many of these transactions, plus certain financial connections. For instance, it may be a well-known fact that a certain contractor has reached a point where he is practically financed by some jobber, and it wouldn't matter whose material was specified, if that jobber happens to be the distributor of a certain manufacturer, and the contractor was bidding, without any question that manufacturer would go in. Therefore, it is desirable in many cases for a manufacturer to have certain jobbers, but it is a hard thing to state that the addition of a jobber might increase distribu-

tion. It might in some territories, in some cases; on the other hand, another territory, where the manufacturer will increase his jobbers, it might easily upset the distribution.

Q. It is, therefore, a question largely of good will behind the brands?

Mr. Haycraft: That is objected to.

Q. Do you advertise for the purpose of creating this demand? A. I stated in the other answer that you must have your brand well known; that there is a big value in brands, in tradmarks, and that in 2210
the course of years you can build up a great deal of good will for certain lines; that we had ourselves spent many thousands of dollars in advertising, to popularize it and make the public acquainted with the many Bryant products; that we have a sales force covering the whole country, and that we are advertising our brands all the time in order to influence the purchase of Bryant wiring devices.

Q. I ask you as one intimately acquainted with the domestic wiring device industry and with the marketing conditions, whether, in your opinion, anything which has been done in the corporate changes between the Arrow Electric Company and 2211
the Hart & Hegeman Manufacturing Company including the organization of the holding company and the final merger into the Arrow-Hart & Hegeman Electric Company has in any way injured the general public, or that portion of the public which buys and uses electrical wiring devices?

Mr. Haycraft: That is objected to on the same grounds.

Examiner Reeves: The objection is sustained.

Mr. Gross: May I have an exception?
Examiner Reeves: Exception noted.
Mr. Gross: You may inquire.

CROSS EXAMINATION BY MR. HAYCRAFT:

Q. In answer to a question propounded by counsel for the respondent you stated that you saw no change in the selling policy of the Arrow Electric Company and the Hart & Hegeman Manufacturing Company after, say, October, 1927. What was the
2213 selling policy of these respective companies? A. I should state to you that during that particular period I was sales manager of the Bryant Electric Company, and it was my duty to watch this situation which was developing up here very carefully, to see what its effect may be on our company, and I did keep in pretty close touch with it. The sales policy of these two companies was a home organization, district offices—if you mean that—

Q. I want to know what you had in mind. A. Well, in our wiring device business, in many cases in presenting a statement before a group of people, or in an address, or in anything of that kind before
2214 a group of electrical people, somebody says, "What is your policy," and we say our policy is a jobber policy. That covers the picture almost completely to them.

Q. In other words, when you made your answer to that question, your idea was to convey that their policy of selling and their method of distribution through jobbers and through their salesmen was not changed; they continued to travel their salesmen and continued to sell through jobbers? A. Yes.

Q. That is what you had in mind? A. Yes.

Q. Now, you also testified that there was no lessening of effort on the part of these companies and even when operated as divisions since January, 1929. Upon what information do you base that statement? A. I was sales manager, and anything that was done throughout the entire field would come to me.

Q. Based upon reports made to you by your salesmen? A. Exactly, and district managers.

Q. From reports that you received, I assume that they said they encountered Arrow salesmen and Hart & Hegeman salesmen wherever they went? A. 2216
Exactly.

Q. They had not been withdrawn from their field activities? A. That is right.

Q. During the past has that report been universal? A. I will tell you on that. Mr. Covington of your organization—

Q. Of the Federal Trade Commission? A. —of your organization was in my office, and he asked me a great many questions in regard to the situation of the sales, and so forth, and at that time I was the general manager, and I wasn't in any close touch with the sales situation as I had been, and as we talked over the situation, he asked me if 2217
I had seen any change in the set-up of these companies, and I said absolutely none, and then it occurred to me that there might have been some changes that I didn't hear of, because I was not primarily interested in sales, so at that moment I qualified that and said that was true as far as I knew, and that I will check that up when our sales manager came in, who was out of the office at that time, and when he came in the following week, he said, yes, there has been one change as far as he knew, and he told me of the one change

which, I think, was in New York. Now, as far as I know and our present sales manager knows, the two organizations have been preserved intact.

Q. You don't know about the change in Boston? A. No.

Q. Chicago? A. No.

Q. Or Philadelphia? A. No.

Q. Where one sales manager or district manager is in charge of salesmen who call to sell the Arrow line and sell the H. & H. line? A. No, I don't know about that.

2219 Q. You are not acquainted with the fact that in some instances, at least, Arrow salesmen will take orders for Hart & Hegeman articles and Hart & Hegeman salesmen will take orders for Arrow articles? A. I have never heard of such a case.

Q. Has it been brought to your attention that an Arrow salesman will go around one week with an Arrow jobber and attempt to demonstrate and push the merits of the Arrow line, and then the following week, or subsequently, will go around with a salesman of a Hart & Hegeman jobber and push the Hart & Hegeman line? A. I can scarcely see how that would be possible. I have never heard of it.

2220 Q. You have never heard of it? A. No.

Q. Those things which I have given you as examples of the conduct in the sales forces of these concerns, would that indicate a change in the policy, assuming that they were true? A. I would say not.

Q. You have never heard of that being done in two separate, distinct concerns, have you? A. Yes, I have. May I show you why I feel that way, that there was no change in the policy. The Bryant Company is 42 years old. In 1900 it purchased the Perkins Electric Switch Manufacturing Company

of this city and continued it up here for a year or so, and then moved it to Bridgeport, and became a part of the Bryant institution—that is, we moved it into the Bryant plant. For 16 years it maintained a separate identity. It had separate letterheads, and separate bills, and in the needs of our plant, because it had moved in, a portion had been built to accommodate them. They maintained a separate manufacturing process for the identical pieces. Anybody who wanted Bryant bought Bryant, and anybody who wanted to buy Perkins, bought Perkins, and it had distinct distribution, but the salesmen, the sales manager, the advertising manager, the service manager, the treasurer, and the auditor in each case was the same person. They maintained a complete and separate identity. The same salesmen sold the same group of jobbers, whether the Bryant or Perkins jobbers, but those jobbers were keen competitors. 2222

Q. To what extent would they compete? The price? A. No, there isn't any price competition.

Q. Service? A. Yes.

Q. In what way? I am talking between the different divisions of this organization, wherever the competition lies. A. Only in our effort to keep building it up. 2223

(Discussion off the record.)

Q. The question that I want to put to you is this: In your last answer you said to build up the two organizations. Now that of course was the purpose that you had in mind of keeping that a separate organization? A. Yes.

Q. By keeping a separate brand as well as organization with that other brand, you increased your total sales? A. Yes.

2224 Q. Would you do anything to assist one to take business from the other? A. It seems to me that the answer is a statement that I made some time back here, that we tried to sell Bryant to a certain consumer, to a certain jobber, for a certain purpose. If we couldn't get it, we would make a tremendous effort to get it for Perkins, and there was a slight difference in the brand, the identical product. It had "Bryant" on the Bryant, and "Perkins" on the Perkins, and these identities were maintained during that entire period.

2225 Q. You made only the explanation that logic could make, where you wanted to take business from an outsider, where the other brand couldn't get it? A. Yes, but there are jobbers who recognize that if the Bryant couldn't get that material through that jobber it would be Perkins who would try to get it through their jobber.

Q. You would not contend that that was competition between Bryant and Perkins? A. It certainly would keep the other competitor out.

Q. Yes, between you and an outsider, but it would not be competition between Bryant and Perkins? A. Well, what is competition?

2226 Q. I am asking you. That would be between you and an outsider? A. An outsider may have gotten it from Bryant in the same way that Perkins got it instead of Bryant.

Q. Would you ever force Perkins to make a price or concession or to give credit service that Bryant would not give, except in those instances to protect it from an outsider? A. We wouldn't force in either case, on price.

Q. Would you do it on credit? A. No, that wouldn't enter into it.

Q. The quality was the same in both items? A. No, not exactly, because in many cases there were different articles.

Q. On direct examination you also made reference to the fact that, in your opinion, competition—you would fear competition on two brands more than you would on one brand? A. Yes.

Q. Is that just a general proposition, or did you have some specific brands in mind? A. Well, if they were recognized brands it would be more than if it were just one brand. There are plenty of brands that don't mean anything. These two brands 2228 mean a great deal. If I had either of them I would not give up either of them.

Q. It would be your idea to push them both, to increase or maintain your sales position? In other words, if one was selling $3,000,000 and the other $4,000,000, you would attempt to push them both and keep up your seven million? A. Yes.

Q. On the other hand, might there not be a brand represented by a good will which would exceed the combined good will or sales effort of two or more brands? Under those circumstances you would fear one brand as much as more? A. Yes, if that were true.

Q. In other words, the value of a product is repre- 2229 sented, so far as you are concerned, by competition in the volume of sales that that brand represents over a given period of time? A. Let me say this. According to my understanding, the joining of these two companies did more to strengthen the two than just having brands.

Q. What effect do you think it would have on these various brands, the trade names, where the trade knew they were one and the same thing? A. I will re-state our own case. There was no one in

the trade who did not know that Bryant and Perkins were not one and the same, and still commercially it was useful and continued for 16 years.

Q. Because it kept up your volume of outlet? A. We had the good will of the Perkins Company and the good will of the Bryant Company.

Q. Did it make any difference whether your Bryant increased more than Perkins, or Perkins increased more than Bryant? A. I think it is a fair answer to say to you that if one had increased greatly to the exclusion of the other, that that would have been ultimately the company.

2231

Q. So far as your profits were concerned, it did not make any difference which brands you pushed or sold? A. I think I should say that it was better for the Bryant Electric Company to continue than to have it cease and have it become the Perkins Switch Manufacturing Company. The Bryant name was older. It was better for us to go on with the Bryant name.

Q. Of the two, Arrow and Hart & Hegeman, which was the older? A. Hart & Hegeman.

Q. Was there any great number of years difference between the two? A. That must be a matter of record, but I would say that it might be over 10

2232 years.

Q. Would the value of a trademark be measured somewhat by the length they were in business? A. I think it would depend on with which it was associated. I will say that to me the Arrow name has been associated with sockets and the Hart & Hegeman name with switches.

Q. You mean those are the ones that they specialized in? A. Well, they were best known in the industry in that way.

Q. Was that true after the consolidation? A. I think it is still true; right through.

Q. As a matter of fact, haven't they interchanged their ideas, and aren't they both selling the same articles? A. Not to my knowledge.

Q. Have you seen any of those items where both brands appear on them? A. I have not.

Q. Speaking of the preference of some manufacturers for one kind of jobber, and another kind of manufacturer for another kind, will you elaborate more upon that situation? A. Well, I did cover it somewhat. A big jobber organization of many 2234
branch houses has to have a home, central organization, a general department, perhaps, which greatly increases the overhead, and therefore this very home office organization has got to set up instructions for the guidance of all the houses. For instance, they have to say, "on every transaction you have got to make so much profit." A little new jobber starts in, in which the boss is also the salesman, bookkeeper, cashier and treasurer, and he has comparatively no overhead—he has some, but very small compared with this other firm. In any town he can operate to greater advantage than that old company. Now, a manufacturer, if he hasn't been 2235
able to get distribution of the whole organization, the big national distributor, coming into a town, even if he could get that branch house, it would not be as useful as the little fellow, who will be very anxious to get more business, and you have a choice of the kind of distributor.

Q. Isn't it a fact that the smaller jobber is more apt to devote practically all of his time to one line, whereas large jobbers will be jobbing, perhaps, four or five lines? A. You can't get an electrical jobber who can give his entire time to one line. The total

2236 *Robert N. Eames—Cross.*

sales of any one line are not enough. He has got to have a lot of lines.

Q. I am talking, of course, of different items of different manufacturers. What I have in mind is this: Where there is a small jobber and a large jobber, in getting business from the consuming trade, isn't it true that the small jobber is more apt to take a line like the Bryant or the Arrow, or some other manufacturer's line, and push that almost exclusively? A. Of the same character, yes.

Q. Under those circumstances, isn't it true that
2237 you find that he will actively push the manufacturer's line and will use his efforts to have it put in the specifications, and use his good will with the local people, and thereby to a great extent do the thing which your missionary salesmen are expected to do? A. He has so many different lines that he can't confine his efforts to any one of them or group of them, and he does depend on this effort of the manufacturer.

Q. Doesn't he go into the contractor and manufacturer and say, "I want to supply your needs," and electrical wiring devices are the principal things they go into? A. Not quite, as far as money
2238 is concerned. So far as money values are concerned, there are more outlet boxes, more pipe and cable, and things of that kind, than wiring devices. After those it may come in next.

Q. On the other hand, isn't it true that these large distributors, the large jobbers, themselves have a very valuable good will established by their organization and personally with the contractors and the industrial organization, which is sought after by the manufacturers? A. Did you say large or small?

Q. The large ones. A. There isn't a large jobber who hasn't some manufacturer's line.

Q. They can shift from one line to another, and have done it? A. These connections are pretty permanent. Some last for a great many years.

Q. I have in mind where a jobber testified where he shifted to your line or the Hart & Hegeman line, and he apparently had a great deal of trouble, and was able through apparently contact with the industry to make that substitution. A. There is always the effort on the part of the jobber to get the best line.

Q. Isn't that a fact? A. No, it is not a fact. Suppose I say it this way: We are forty years in the 2240
business, in this industry, and we have had for all these years very close contacts with the jobbers, and some prefer to handle only one line. He must have one manufacturer. He must have one complete line from one manufacturer. He does not want to shift to carry three different stocks, and most of which had to be complete, when he could go to one manufacturer and get the complete line. That was the reason why many of these combinations took place between the manufacturers. I spoke of our Bryant, which was socket, and Perkins, which was switch. The Hart & Hegeman was switch; the Arrow was switch, but mainly socket. 2241
If the jobber had one good line he wasn't anxious to trade or to take on another, and a lot of these jobber connections that were made many years ago still exist.

Q. The point of the question that I asked was this: Isn't it true that a number of the large jobbers have themselves a good will with their customers, principally electrical contractors and builders, in the various communities, whereby they could shift from one to another if they desired to do so? In other words, it seems to me that there has

2242 *Robert N. Eames—Cross.*

been a broad emphasis placed upon the value of the good will of an article, overlooking the good will of the jobber. A. It is a little difficult to answer that, because it would depend on the locality, and on how many jobbers a manufacturer wanted; who they were; and how influential they were, to influence the manufacturer. Some jobbers will admit that there is a certain class of business that they are perfectly willing to have another jobber take, and others are certain that they cover what another jobber could cover, and that the manufacturer has already two or three, and that to have another jobber would simply split the business that he has already. It depends on the jobber and the manufacturer and the territory.

2243

Q. As a matter of fact, there is a twofold phase in the sale of these lines; one, competition between them as to the sale to the jobber; that is service, price and credit, and also the attempt on the part of the manufacturer to secure business from the consumers. A. I doubt if price to the jobber enters into competition.

Q. He is not interested? A. The price is practically the same.

2244

Q. How about the so-called gyp jobbers? A. Gyp jobbers?

Q. Gyp manufacturers. A. I haven't used the word "gyp" myself, I think.

Q. Perhaps it was the other witness. A. No, I don't generally use it. Mr. Covington asked me why it was that a group of manufacturers were known as pirates by the jobbers, and I explained to him that the reason that jobbers call manufacturers pirates is because they do not get a chance to make a profit on the product manufactured by the manufacturers, because they sell them direct.

He doesn't get any profit on their business because they don't sell to jobbers, and therefore there is no price to the jobbers.

Q. How about the market conditions of the wiring device articles so far as the jobber is concerned when he purchases from the first class of these manufacturers? A. If you care to look it up, they publish very complete discount sheets, showing the jobbers' cost. The articles manufactured by these people, these plants, are good enough, so that, as far as their usefulness is concerned, there isn't any distinction between them. Now, I say they are 2246 good enough, they go over the underwriters' requirements, and therefore they are abundantly good for the purpose. Now, if one of these manufacturers who makes something that is ten times as good, we will say, a pull socket, and has a price on that to be sold to the jobber, and there is a quarter of a cent in his price, and another manufacturer gets out a discount sheet which shows the switches he makes and used for the same purpose, which is nine times as good, and it is a quarter of a cent less, the jobber of the first manufacturer would go back and say that he can get this socket for a quarter of a cent less, and he won't pay an 2247 eighth of a cent more. You have got to meet this price. These are published prices, and you will find that they are practically identical on the same article. They must be.

Q. How long has that been true? A. Ever since I know anything about the business, and that is 25 years.

Q. How many manufacturers would you say got out this circular of prices? A. I would say six.

2248 *John R. Cook—Recalled—Direct.*

Q. Are there any more than six that sell to the jobbers? A. Not exclusively.

Q. Are they the only manufacturers in the industry that recognize this system of distribution and have this same selling policy of selling through the jobbers in the country? A. Only wiring device manufacturer?

Q. Yes. A. Exclusively, yes. I say that to the best of my knowledge I think that is so.

Mr. Haycraft: I think that is all.

2249 Mr. Gross: That is all.

Examiner Reeves: We will take a recess until 3 P. M.

(Whereupon, at 1:45 P. M., June 17, 1931, the hearing was adjourned until 3 P. M.)

AFTER ADJOURNMENT—3 P. M.

Examiner Reeves: Let the record show that Mr. Cook is recalled for further examination.

2250 JOHN R. COOK, was thereupon recalled as a witness, and having been previously duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. GROSS:

Q. Mr. Cook, there has been some testimony in a general way as to the economies in manufacturing which have resulted, first, from the community of interest arising out of the old respondent and carried on into the period of the merged corporation. Have you had a further investigation made, and

can you give us in more detail these economies which you know have been made from 1927 to the present time? A. I can. It will be necessary for me to go on in great length on some of them, and we have not tried to cover the ground except in a general way. I can on pertinent things in the line that we have done for economies.

Q. All with which you are thoroughly familiar yourself? A. Yes.

Q. Will you make your statement in a general way? A. Starting in during the period of 1927 and in 1928, the first major step taken by the company 2252
was: It was decided that the Hart & Hegeman Company was losing money in making sockets and attachment plug material—this was roughly Schedules B and P—and the Hart & Hegeman Manufacturing Company, after this investigation, requested the Arrow Electrical Company if they would give them prices on manufacturing this material for them. The Arrow Electric Company figured on this and were able to quote the Hart & Hegeman Company prices that would allow the Hart & Hegeman Manufacturing Company a margin on the business, whereas heretofore they had been losing on the business. In the meantime the 2253
Arrow Company were able to produce this material in their factory, giving them a far larger production than they formerly had had on socket and plug material, and enabling themselves to make a larger margin on the material.

Then, in 1927 and 1928 the Hart & Hegeman Company were contemplating purchasing a cold molding plant, that is, to make material known under the trade name of gummon. This material, the cold-molded, largely replaced the porcelain

material. In a great many places it was better, and it had a greater acceptance with the public, and in going into this it enabled the Arrow Electric Company—the Hart & Hegeman Company decided to purchase, instead from the Arrow Electric Company, enabling the Arrow Electric Company to erect a plant and expand along such lines that their material could be manufactured very economically.

During the same period bakelite commenced to appear on the market commercially, and the Arrow
2255 Electric Company started their plants in the manufacturing of bakelite. This development went very fast and it became very essential to the market to have bakelite, bakelite displacing a great deal of porcelain and cold-molded material, which formerly had an acceptance. It is only through the combined resources of both companies that we were able to keep pace with the development of bakelite and the enormous amount of equipment required in the manufacturing of it.

In 1927 and 1928 the Hart & Hegeman Company experienced a tremendous amount of business on switches that required automatic screw
2256 machine parts. At that time we did not have ourselves sufficient equipment to keep up with the demand.

Q. That is the Hart & Hegeman Company? A. Yes, Hart & Hegeman. It was necessary to buy these parts outside to meet our deliveries. We could not get from the outside the same interest in manufacturing these parts as we could from the Arrow Electric Company. We appealed to them for help, and they immediately came forward, and it enabled us to make deliveries from their automatic screw machines which were not as busy, within 24 hours

after receipt of the order, or at least deliveries commenced.

In 1927 and 1928 we also decided to combine the two porcelain plants under one management in one factory. We did not get very much economy out of this in dollars savings as we anticipated, owing to mismanagement during that year, and subsequently vast economies resulted out of this combination of these two porcelain plants which improved greatly our deliveries of porcelain, as well as the quality of the porcelain. I might enlarge on that just one second. When I say the quality 2258
—a piece of porcelain is just about the same as another piece, but the accuracy with which it is built means a great deal to us, whether the screw holes are exactly alike, or if there is any drifting. It is built with these pieces of steel going down clamping your mechanism to it, and it looks perfect, but you let it down and you take a pencil and tap it just slightly, and it will fly to pieces, because the material is under such a strain that the slightest jar like that will break it wide open; and that is what we mean when we say that the quality of our porcelain must be built to accuracy. I might also say that during that period there was a mis- 2259
management of our deliveries of our porcelain. We did not improve in dollar saving but our deliveries did improve.

In 1927 and 1928 plans were made to combine our automatic screw machine departments. The reason was due to the fact that the Hart & Hegeman Company were experiencing such a demand for parts to go in their switches that were made on automatic screw machines, and they were nowheres near equipped to take care of this demand. Their automatic screw machines were not suffi-

ciently large enough, and it was decided that the Hart & Hegeman Manufacturing Company could spend $75,000 in purchasing automatic screw machines, because we figured that in doing this we could supply Arrow all of their parts over and above their machines. However, after the end of 1928, when the second company started in, the second period, we went a step further and combined these departments, the Arrow and the Hart & Hegeman screw machine departments, which allowed a steady flow of material under one leadership. I be-
2261 lieve today, so far as the particular department is concerned, it is probably the best automatic screw machine shop in New England, because all of this machinery we bought was absolutely of the latest type. We got rid of our old machinery and put in the new improved type of machinery.

At the same time—now, this is the later period—starting in 1929 we combined, or rather, we started to combine our screw departments, this is the screw making department, and we have experienced good economies by so doing.

One more thing that took place which touches back to the bakelite: Bakelite was coming for-
2262 ward with very rapid strides. Some of the biggest volume items became highly competitive, and our methods of manufacturing those articles were such that we could not produce them or continue to produce them and make money with the tendency that prices had of going down, particularly on attachment plugs, and due to the resources of the two companies being pooled we were able to spend around $50,000 in the development of a bakelite—two automatic bakelite machines, which made our cost of production very low and allowed us to keep pace with the price condition in the market and still make something for us.

Now, during this latter period, there has been a tremendous amount of changes that have made it possible for vast economies. First, we combined our box-making departments. That is for paper boxes, and so forth. Second, all our insurance was gone over and we combined our policies, with the result of lower rates. We combined our entire trucking service, making it possible to eliminate certain expenses. Then, we combined our entire shipping rooms, with the result of a saving.

Then, the next was a revision of the indirect labor over all plants. In explanation of that, I 2264
would say this, that we had combined so many departments, and we had so many people that were indirect labor in those departments, that it was essential, and the only economic thing for us to do, was to revise that entire indirect labor, and it resulted in a tremendous saving.

We then, during this period, combined our entire accounting and costs systems, which resulted in very substantial savings.

Then, we designed for both plants machinery that would print and fill envelopes with screws at the same time. Some articles have to be sent with screws. We can't throw them loose in the 2265
box, because they might get lost, and we can't pack them with the article because of the breakage that might result, and this resulted in quite an economy in having a machine doing it, whereas before we had girls who put them in the envelopes.

Then there was the adoption by the Arrow plant of automatic screw-driving machines that had been developed by the Hart & Hegeman Company. All the screws were put in, and the girl with the automatic screw driver came down with it like this

and tightened the screws. That developed a tremendous economy.

Then we combined the entire purchasing and planning departments of both plants into one purchasing department and one planning department. The first naturally resulted into our being able to lower our inventory of raw material, because it wasn't necessary always to carry duplicate stocks, and it enabled us to purchase in larger quantities and get some economies there also.

Now, the combining of the planning department
2267 naturally went hand in glove with the purchasing department, because it allowed the planning department to look at one stock of raw material, taking it and using it for whatever it was adaptable, regardless of whether it was in the Hart & Hegeman or in the Arrow plant. Then, too, it enabled the planning department to call on machines if certain other machines were busy, and to issue orders to have the stuff made right there, and back and forth, one hand helping the other out, back and forth. It enabled them to use the resources of one plant if for any reason the other plant was crowded or temporarily incapacitated.

2268 Then came the combining of the engineering departments. The economies that were experienced were not so much in economies at first, as they were in allowing us to cover a very much broader field of experimenting, of designing, and in bringing out new articles for the trade. I believe that this will be verified, and it is said with all modesty, that it will be verified by anyone in the industry that the Arrow-Hart & Hegeman Company have brought out more new devices for the trade in the last three years than any other company in the business. It allowed the engineering departments to not con-

tinue to duplicate their efforts—I mean the Arrow on one thing and the Hart & Hegeman on the other. We had them work in unison, and that is bringing out the material that did not duplicate, so that we could bring out, in turn, a greater quantity of material for us to sell, we bearing in mind at all times that we have only one excuse to live, so far as the public is concerned, and that is the good that we do to the public. Of course, the only other reason that we have for living is to earn money for the stockholders of the company.

Then, a later development has taken place, which is now being experienced, and which has just come into effect when we combined the engineering department. 2270

We found this to be taking place: A great many of our tools and equipment were having to be repaired all the time, and we were spending a considerable sum of money more than was necessary on the repairing of machinery and equipment, due to the fact that neither company as formerly existed could have a repair gang in charge of repairing all machinery and equipment, and it had been done by relying on the tool room foreman sending a couple of toolmakers. When a foreman said, "This machine is out of repair," he would send a toolmaker down to see it, and they would spend most of the time there, and spend a quarter of a day doing it. That might have been licked if there had been enough repair work for a repair gang always taking care of it, and until we had, we could not really get our grips on that economy. That has not taken place yet. We estimate the saving to us—well, conservatively, between $25,000 to $50,000 this year. 2271

Those, in a general way, are what have taken place in the form of economies. Now, the combin-

ing of the engineering departments added further economies. They were constantly working on existing articles that we had been manufacturing, first, to make the article less expensive, so far as we were concerned, second, to improve the quality, and great strides have been made by our engineering department along that line. In a great many instances we were able to improve our quality and give the article to the public at the same price; in some instances to improve the quality and give it to the public at a lower price, and in some instances to
2273 improve our manufacturing, our costs of manufacturing, and give it to the public at a lower price.

Q. Do you want to go into the question of estimated savings in these economies? A. The estimated savings of these economies, as I have mentioned here as a group and as a whole, excluding the last one I mentioned, which has not really come to a realization, amount to approximately $500,000, based on an $8,000,000 sale.

Q. $500,000 per annum at that rate? A. Yes, per year at that rate. The general figures can be secured from the accounting department on that.

I will take first the pull socket. It was testified
2274 that we greatly improved the quality of our sockets. I did not mark this down as a quality improvement. We did improve the quality, but generally speaking the sockets as they existed before were practically the same as this, except that they would not last as long.

In 1927 we started with a price of $14.96, and in January 1, 1929, it was $13.30; on June 1, 1931, it was $11.80, a straight price reduction.

Q. That is an article— A. Where the quality remained, roughly speaking, the same.

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Q. And the price to the public has gone down in both of the periods? A. Yes.

Mr. Gross: May that be marked?

Mr. Haycraft: Is it the testimony of the witness that these economies that he has been talking about have resulted in this reduction in the price of these various articles now indicated on this paper, and the changes are not due to market conditions or competition?

The Witness: I will answer that in this way. It was through these economies that we were 2276
able to operate and make something on these articles for our company.

Competitive conditions did come in to bring the prices down, but if it had not been for the economies that had taken place in the amalgamation of the departments making these articles we never could have kept up with the competition.

By Mr. Haycraft:

Q. Were there any reductions in the cost of raw materials? A. There were some reductions in the cost price, but the percentage of the reduction in 2277
the cost of the materials would not keep pace with the percentage of reduction made here, and there were no reductions in the very large items in the making of these items.

Q. Your labor item remained the same? A. Remained the same.

Mr. Haycraft: Mr. Examiner, I have not objected to this testimony up to this point, principally because I realized that it is part of the

defense in the case that economies that might be realized resulted from the acquisition. I did not want to encumber the record with objections from time to time, but at this time it appears apparent that there is going to be considerable detail. The witness stated that he could not definitely say, of course, that these figures indicated here were due entirely to the economies, and competition and market prices enter into it, and for that reason it strikes me that not a great deal of weight should be given
2279 to this testimony, and therefore I object to it as incompetent, irrelevant and immaterial to the issues in this case.

Mr. Gross: If your Honor please, my learned friend took one of the competitors this forenoon and discussed with him the question of the improvement in quality in switches, attachment plugs, and so forth, and I submit that in view of the allegations and our answers, that we are entitled to show that what we have been able to accomplish by these corporate steps were several things: In the first place, in spite of falling prices we were able to put out better
2280 material and give a better article to the trade as a result of the economies to which Mr. Cook has already testified, amounting to approximately a half million dollars a year. We are going to show that in some instances we are putting out an equivalent article and are able to produce it so that we can sell it at a very much lower price. We are going to show in other cases that we can put out a very much better article at the same price as the more inferior article first put out. In other words, we are going to show that the public has not been

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damaged but has been benefited, and that we are passing a very much superior article, which we could not have done without the economies, to the public, due to the skill and the better development of our art as a result of being able to work together through these two manufacturing departments. Now, I submit that that is very important, and I am surprised that my learned friend is not willing that we should have an opportunity to show the Federal Trade Commission what we are doing.

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Mr. Haycraft: You will recall, Mr. Examiner, that when counsel for the respondent questioned the witness this morning with respect to the quality, I objected to it as incompetent, irrelevant and immaterial to the issues of this case, and that you overruled my objection and allowed the question to stand. Naturally, when it is in the record, it was my purpose to show its real value, and I cross-examined the witness to show that he did not know, and therefore could not testify to that, and my cross examination was to that purpose. I was not interested in bringing out the merits of the proposition; it was to show that he was not in a position to say that he was able to testify as he testified. I am not changing my position. I can see a number of exhibits here in the room, and I can see that there is going to be a considerable volume of testimony on this point, and I think it is incumbent upon me to renew my objection on the record to this line of examination.

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Mr. Gross: My learned friend objected this morning that the witness did not know about our policy.

Mr. Haycraft: That was not it. It was immaterial to the issues of the case.

Mr. Cross: Now we have a man who does know.

Mr. Haycraft: That doesn't change my original objection.

Examiner Reeves: Is it the purpose, Mr. Gross, to put in evidence a large number of these devices?

Mr. Gross: It is our purpose to offer in each of the respective schedules typical cases of
2285 mass production, showing switches, sockets, plugs, and so forth, something which the witness will say is a fair indication of mass production and what has been accomplished in these lines. I want to hold it down as far as I can, but I do want to bring into the record instances where an article was put out at a lower price, a better article at the same price, and in some cases a better article at a less price as a result of the economies which we have been able to effectuate as a result of what we have done.

Mr. Haycraft: He has admitted that some of
2286 these may be due to market conditions and other elements that enter into it, and therefore this is not a fair comparison. There are too many elements that enter into it.

The Witness: That happens to be the first article. The others will change around after that.

Examiner Reeves: As I recall it, counsel for the respondent was offering the device, to be identified by the witness, and counsel for the Commission is objecting?

Mr. Haycraft: Yes.

Examiner Reeves: The objection will be overruled, and the device described by the witness will be received in evidence as respondent's Exhibit 1.

(The device was thereupon received in evidence and marked "Respondent's Exhibit No. 1.")

Mr. Haycraft: Exception.

Q. Will you take the next one, please. A. The next one is the Keyless socket, which we classified here as the quality remaining the same and the price going down from $8.79 to $8.31 in 1929, to 2288
$7.54 in 1931.

Q. That price being per 100? A. Per 100.

On the slip that I have here, the first one, the pull socket, is catalogue No. 65250, and the second one, the Keyless socket, is 59482.

Mr. Haycraft: I wish the same objection to stand to the admission of these fixtures.

Examiner Reeves: It will be so noted in the record.

Mr. Haycraft: And exceptions to all rulings.

The Witness: The next one, No. 59480, the Key socket, the price went down from $10.69 2289
in 1927 to $9.79 in 1929, to $8.80 in 1931.

Q. Per 100 in each case? A. Yes.

Q. Are they all per 100? A. Yes, everything is per 100.

Mr. Gross: I offer these two in evidence.

Examiner Reeves: The second device, the Keyless socket, will be received in evidence and marked Respondent's Exhibit 2.

(The Keyless socket was thereupon received in evidence and marked "Respondent's Exhibit No. 2".)

Examiner Reeves: The last one offered will be received in evidence as Respondent's Exhibit 3.

(The key socket was thereupon received in evidence and marked "Respondent's Exhibit No. 3".)

The Witness: The next one is the pull candle socket. There are two here. The quality has
2291 been improved, very much improved, and the price has gone down.

Mr. Gross: Let us have the first one as No. 4-A and the other 4-B. I offer them in evidence.

Examiner Reeves: This will be received in evidence as Respondent's Exhibit 4-A.

(Pull candle socket received in evidence and marked "Respondent's Exhibit 4-A".)

The Witness: The price in 1927 was $30., in 1929 $20.90, and in 1931, $12.

Q. Will you indicate what the nature of the improvement is? A. This was made of porcelain
2292 (indicating), and it is very brittle.

Q. Are you talking of 4-A? A. Yes, 4-A. That is very brittle. Any porcelain in an article is subject to breakage, causing a tremendous loss in the field by the user of the material. Besides, it had a mechanism that is quite complicated, and the use of fibre in the covering up of the mechanism.

Q. The mechanism operating the switch? A. Yes, operating the socket. In 4-B the mechanism has been made by eliminating all porcelain with bakelite in which the mechanism operates. Not

only has the mechanism become very much simpler, but very much more positive, due to the fact that simplicity is the best thing to get positiveness of operation.

Incidentally, in making an article of bakelite, a great deal more accuracy can be secured than in making an article of porcelain, which is subject, in firing, to shrinkage.

Mr. Gross: I offer that in evidence.

Examiner Reeves: It will be received in evidence and marked Respondent's Exhibit 4-B.

(The article was thereupon received in evidence and marked "Respondent's Exhibit 4-B".) 2294

Q. Now, I will ask you, taking, for instance, 4-A and 4-B, whether these improvements in the mechanism and in the composition of the article are referable to the greater engineering efficiency and the economies to which you have referred as resulting from bringing the two companies together? A. Absolutely.

Q. Is that true of all the exhibits which you are about to put in? A. It is.

Q. You may proceed. 2295

By Mr. Haycraft:

Q. Would you also say that market conditions and competitive conditions have nothing to do with the lowering of the price?

Mr. Brown: He was speaking of quality there.

The Witness: Yes, I was. I was speaking of quality.

(The last question was read by the reporter.)

A. In these particular articles market conditions had something to do with the lowering of the price.

(Discussion off the record.)

BY MR. HAYCRAFT:

Q. Would that be true of the items that you have described up to this point? A. All items up to this point, if you are referring to market conditions as entering into competitive conditions and are compelled by raw materials. The competitive conditions in our field as of today make it such that we have to go down in prices on some of our items. To enable us to go down and come up with anything for our company it is necessary that our engineering department and our manufacturing department exercise a great many economies to enable us to do this. Competition in the electrical game today—it is filled with a great number of manufacturers who will pick up two or three articles only in our line; will get some draftsman to take our articles, detailing the parts; will then, in turn, get some tool-making concern to make tools for them, and will put out the article to the public at very much lower prices than what the article originally started at. To enable us to keep up with such competition we have to call on our engineering department to effect economies in design of our material, so that we, in turn, can come down on these articles and come out with something for our company. Such competition could be met by merely lowering the prices, and making on such a competitive con-

dition a lot of money for the company, but as we still think that we are originators in this game, we struggle for better and more economical designs. This is more clearly shown in exhibits 4-A and 4-B.

BY MR. GROSS:

Q. And will the same explanation apply, substantially the same, to the various exhibits which you are now offering? A. It will to all exhibits.

Q. That you are about to show? A. Yes. As far as the material cost in the manufacturing of these articles is concerned, whereas up to this time there 2300
has been a lowering in the price of brass or copper-content metal, whereas today the cost of copper is 8¼ cents, I doubt that hardly any manufacturer of any size working on copper-content metal would price it as low; due to the fact that a great many manufacturers would have large inventories of brass and bronze, which naturally would have to be disposed of first. At the present time the brass that we are working on is somewheres between 12 and 14 cents a pound, against the highest price of 24 cents. That is only a small percentage of the material contained in these articles, and the ratio of reduction in price is far greater than the per- 2301
centage or ratio that we show as a saving in our raw material. I might say that raw material such as porcelain—any saving that we have experienced in raw material is practically nil. Porcelain is largely labor, and very cheap raw material. It is nothing but clay, I mean.

The next one, No. 4007, is the Keyless Candle Socket, on which the price in 1927 was $8.50 a hundred, in 1929, $8.50 a hundred, and in 1931, $3.75 a hundred.

2302 *John R. Cook—Recalled—Direct.*

I might say, Mr. Haycraft, there, that the big reduction in that thing going that low is due to very fierce competition in the field. In fact, four or five of the known developing type of manufacturers presumably are at war with each other.

BY MR. BROWN:

Q. How about the quality of that device? A. The quality has improved. Formerly this piece (indicating) was a fibre.

2303 Q. What do you refer to by "this piece"? A. This piece (indicating).

Mr. Gross: I offer that in evidence.

Examiner Reeves: This device will be received in evidence and marked Respondent's Exhibit 5.

(The article was thereupon received in evidence and marked "Respondent's Exhibit No. 5".)

The Witness: The next article is No. 995, a Canopy Socket, or canopy receptacle, in which the quality has remained the same and the price has gone down, from 1927, $31.50, to 1929,

2304 $19.75, to 1931, $13.50.

Mr. Gross: I offer that in evidence.

Examiner Reeves: The device will be received in evidence and marked Respondent's Exhibit 6.

(The article was thereupon received in evidence and marked "Respondent's Exhibit No. 6".)

The Witness: The explanation of the extreme reduction is that originally this started off as a very small production item. The production

got up to a fairly sizable point to enable us to make economies and reduce the price. There are also some competitive conditions that forced that down.

The next is a receptacle—

Q. You might give the schedules, Mr. Cook. Are these six referable to one schedule? A. Yes. When I get through with Schedule B, I will say that covers Schedule B.

The next article is a receptacle, called, normally, a sign receptacle, or cleat receptacle. It is No. 50715. The price on June 1, 1931 was $4.50. 2306

Q. In the three periods? A. In the three periods, that is, October, 1927, it was $6.00, in 1929, $6.00, and in 1931, $4.50. The economies again were made possible by simplification.

BY MR. BROWN:

Q. As a result of your consolidation? A. Yes, they are all here.

Mr. Gross: I offer that, Mr. Examiner.

Examiner Reeves: This device will be received in evidence and marked Respondent's Exhibit 7. 2307

(The article was thereupon received in evidence and marked "Respondent's Exhibit No. 7".)

The Witness: The next one, No. 829, is a porcelain pull receptacle. The prices were, in 1927, $84.00, in 1929, $84.00, and on June 1, 1931, $79.00.

Mr. Gross: I offer that, Mr. Examiner.

Examiner Reeves: This will be received in evidence as Respondent's Exhibit 8.

2308

(The article was thereupon received in evidence and marked "Respondent's Exhibit No. 8".)

BY MR. BROWN:

Q. How about the quality? A. It has been improved very much. The next article, No. 43310, Pigtail Socket, which is used in construction work, the prices have gone from $10.00 in 1927, to $10.00 in 1929, to $7.00, in 1931. The quality of this article remains about the same. There is no large difference in the quality. We have increased our production that enabled us to work our cold-mold department machines in larger runs, and thereby effect economies.

2309

Mr. Gross: I offer that.

Examiner Reeves: This will be received in evidence as Respondent's Exhibit 9.

(The article was thereupon received in evidence and marked "Respondent's Exhibit No. 9".)

The Witness: The next one, No. 9366, Pigtail Porcelain Socket, the prices in 1927 was $10.80, in 1929, $10.80, and in 1931, $7.50.

2310

Mr. Gross: I offer that.

Examiner Reeves: It will be received as Respondent's Exhibit 10.

(The article was thereupon received in evidence and marked "Respondent's Exhibit No. 10".)

The Witness: The above material is Schedule B.

The next article, No. 1465, is a Composition Attachment Plug. In 1927 the price was $3.80, in 1929, $4.00, and in 1931, $3.00.

In conjunction with this plug, I might say it is really going out of existence. We have developed a bakelite plug, which is a far more improved article.

Mr. Gross: I offer these on the same number, 11-A and 11-B.

Examiner Reeves: These two will be received as Respondent's Exhibits 11-A and 11-B.

Mr. Gross: The bakelite plug is No. 1900?

The Witness: Yes. You can see by referring to that we are now selling the bakelite plug at a less price today than we sold the cold-mold in 1927. 2312

(Device No. 1465 was thereupon received in evidence and marked "Respondent's Exhibit 11-A".)

BY MR. GROSS:

Q. What is the price now on the bakelite? A. $3.42 per 100. You can see the difference in the construction. You have here the finding groove. In putting the plug into the old receptacle, you would nearly have to stand on your head to do it whereas in the bakelite you have a finding groove for finding it. 2313

Q. That finding groove is a development of this company? A. The finding groove as it exists today in this plug is a development of other companies, but they are not anywhere near as good.

(Device No. 1900 was thereupon received in evidence and marked "Respondent's Exhibit 11-B".)

The Witness: I am now showing two receptacles, cold-mold receptacle No. 1494, and bakelice receptacle No. 1913. The cold-molded re-

2314 *John R. Cook—Recalled—Direct.*

ceptacle is what we had in 1927, at which time we were highly developing the cold-mold department. The bakelite receptacle is a receptacle as of today, in 1913, which shows clearly the change in the art between these years, not only in the construction of the device itself, but in the material that is used. The cold-molded receptacle, you can see, is not as acceptable, and it contains fibre. It contains only one screw for wiring up one side. The bakelite is of the latest design, using bakelite throughout,
2315 containing four screws, two on each side, so that the receptacle can be wired and a short run wire without splicing can be made to some control switch, if necessary. The receptacle is what receives the attachment plug for a lamp or any other device that is put into it to receive the energy, the electric energy to run the device. You will also observe that in the new bakelite receptacle the same construction of the finding grooye is followed out.

Mr. Gross: I offer the cold-mold receptacle as No. 12-A and the bakelite as 12-B.

Examiner Reeves: The same will be received
2316 in evidence and marked Respondent's Exhibits 12-A and 12-B.

(The articles were thereupon received in evidence and marked "Respondent's Exhibits Nos. 12-A and 12-B".)

The Witness: These articles, the last ones that I have mentioned, I might say, represent an improvement in quality that has been given to the public without additional charge, and the above exhibits, 11-A, 11-B, 12-A and 12-B, are in Schedule P.

The next article I will offer, will be receptacle No. 1109, and No. 7711. In 1927 the

price was $159.00, and in 1929 it was $105. That is when it was changed, so in June, 1931, we were offering the improved types for $90.

Q. What is that device that you offer? A. This device is for a receptacle and a pilot light. It is very often used in laundries, so that the light is lighted as soon as the attachment plug is put in here (indicating).

Q. To show that the current is on? A. Yes, the light shows up. In the beginning it was a very clumsy article. They had a bird cage stuck on it, 2318
and it was objectionable, because things struck it, and the whole thing would be wrecked inside here. It is very hard for the wireman to wire it. A big box was required, and made it more expensive. It was improved until No. 7711 was brought out. Competitive conditions did not make it necessary. The strides on this was due to economies and increasing our production. The main strides were made by improving the designs, so they could be made much more cheaply, to increase the demand: they are so much better.

Q. Will you explain the shallow box? A. The benefit of a shallow box is where, for instance, in 2319
New York City, the floor space is so very valuable, and they want all of their walls as near as possible to be two-inch partitions. It became necessary, and it is more increasingly necessary right now, to build devices so that they can go into a wallcase or a box no deeper than two inches, and the two-inch wallcase has become the standard wallcase or the most popular throughout the country on account of that, and the minute you make those cases deeper, it immediately runs up the cost of installation on the contractor; also, so his demand would

be for a shallow box. In other words, if we had continued to stick to the deep device, our jobbers would have absolutely gone over from our device to someone if they could have gotten one that had a device that would have gone into a two inch wall case. The type of plates on these devices have nothing to do with the popularity or utility of the device. Either device will take a brass or a bakelite plate, as desired.

Mr. Gross: I offer these, Mr. Examiner.

2321 Examiner Reeves: These devices will be received in evidence as Respondent's Exhibits 13-A and 13-B.

(The articles were thereupon received in evidence and marked "Respondent's Exhibits 13-A and 13-B".)

The Witness: The next two articles will be 1160, switch and bull's eye, and 7739, switch and bull's eye. The development of these two articles are about the same as the other one. It had a bird cage, which was objectionable on account of the breakage and a great deal of trouble, and it has been developed to the

2322 bull's eye, the red bull's eye, that does not protrude out from the wall. The prices of these articles have remained the same, although the quality itself has improved in the article. I might mention here also that the switch mechanism has been improved.

Mr. Gross: May I offer those?

Examiner Reeves: These will be received in evidence as Respondent's Exhibits 14-A and 14-B.

(The articles were thereupon received in evidence and marked "Respondent's Exhibits 14-A and 14-B").

The Witness: The last four come under Schedule H.

The next two articles are the ordinary wall switches, known as 8601 and 701, in which the quality has been greatly improved, and in which the manufacturing process has also been improved, allowing us really to put in a more costly mechanism in the switch at the same price. No. 8601 switch, as you can see, is a very much larger switch on its porcelain base, although adaptable for a two-inch wallcase, but it did not give as much wiring room around 2324
the switch as No. 701. You will also observe that No. 701 switch has a large ear, which can be taken off with a pair of pliers, but which, if left on, and by any chance in a wallcase there is a little something in behind the plaster, it would give the switch a bearing on the plaster without breaking all the plaster around the switch. You will see also that No. 701 is very much quieter in its operation than the other, which makes for a very more silent and more desirable switch.

Mr. Gross: We offer this, Mr. Examiner.

Examiner Reeves: This will be received as 2325
Respondent's Exhibits 15-A and 15-B.

(The articles were thereupon received in evidence and marked "Respondent's Exhibits 15-A and 15-B.")

The Witness: The next two articles are what are termed canopy pull switches Nos. 341 and 7743. These represent an improvement in design, and are lower priced. In January, 1929, the price was $37.50, and in June, 1931, the price was $35.00.

2326 *John R. Cook—Recalled—Direct.*

Q. Is that a new thing which you did not have in 1927? A. The Hart & Hegeman did not have it, and in tracing it back the Arrow had one, but I could not find—even in 1927 it was so obsolete and old that I could not find a sample. They had improved it in the meantime. In this article you will find that to wire it up you had to undo all this thing; you had to take all this mechanism out so as to get out the binding screws to wire it up.

Q. Referring to No. 341? A. Referring to No. 341, yes. The improved article is made of bakelite.
2327 It is not possible to get into the working mechanism, as it is with the other. All that is necessary is to take off a fibre piece and place it back by pressing down once where the fibre is holding it firmly in position. The mechanism of this device, you will find, is very much improved over the old one.

Mr. Gross: I offer those.

Examiner Reeves: These will be received in evidence as Respondent's Exhibits 16-A and 16-B.

(The articles were thereupon received in
2328 evidence and marked "Respondent's Exhibits 16-A and 16-B.")

The Witness: The next two articles are canopy turn switches Nos. 331 and 7775. These switches go under the ordinary wall bracket and under the lamps to turn off and on the canopies. You will observe that No. 331 is made of porcelain, that it has a porcelain base, whereas No. 7775 is made with a bakelite base. Also, in No. 7775, the wires come out at both ends, making it more convenient to wire. It is very much smaller in size, too. We have made economies in making this switch, which

has allowed us to pass it on to the public at a lower price. In 1929 the price was $11.97, and in 1931, the price was $8.50.

Q. A better article at a less price? A. Yes, a better article at a less price.

Mr. Gross: I offer these in evidence.

Examiner Reeves: These articles will be received in evidence as Respondent's Exhibits 17-A and 17-B.

(The articles were thereupon received in evidence and marked "Respondent's Exhibits 2330
17-A and 17-B.")

The Witness: The next two articles are bakelite plates on which there has been an improvement in quality and a lower price. They are plates 8983 and 9040. The appearance of the plates will speak for themselves. The prices were, in 1927, $8.78, in 1929, $7.00, and in 1931, $7.00.

Mr. Gross: I offer these, sir.

Examiner Reeves: They will be received in evidence as Respondent's Exhibits 18-A and 18-B.

(The articles were thereupon received in 2331
evidence and marked "Respondent's Exhibits 18-A and 18-B.")

Q. Are these still in the same schedule? A. Yes, sir. Those are all Schedule S, except the plates, and those are—15, 16 and 17 are S, and the plates are H.

The next two articles are sign receptacles 59108 and 7718. The only difference is in the style: the one is the old style. The quality has been slightly improved and the prices have been materially re-

2332 *John R. Cook—Recalled—Direct.*

duced. In 1927 the price was $10.60; in 1929 the price was $10.60, and on the new improved style, in 1931, the price was $4.84. There is nothing that can be said, except that by examining them you will see that we have eliminated the fish eye, the extra screw, and simplified the construction.

By Mr. Haycraft:

Q. Market conditions? A. The market conditions had something to do with the lower price, and I mean by that competitive conditions, but it
2333 would have been impossible to meet such conditions without tremendous economies in manufacture.

Mr. Gross: I offer those.

Examiner Reeves: They will be received in evidence as Respondent's Exhibits 19-A and 19-B.

(The articles were thereupon received in evidence and marked "Respondent's Exhibits 19-A and 19-B.")

The Witness: And those are Schedule B.

I now offer No. 8947 and 1561, the old and new style. The price for these Roto-power
2334 switches in 1927 was $17.96; in 1929, $17.96, and the new style was brought out at $11.50. In 1931 the price of both styles was $11.50. There was an improvement in quality and also in price.

By Mr. Gross:

Q. What are they used for? A. They are used for—many of them are used for power control. You will see that on the old type of switch a great deal of wiring space is used. Wiring space is very

precious to them, and this switch (indicating) reduces the space. In the lowering of this price I would say it is not influenced by competitive conditions, but entirely by improved methods and increasing our production which we were willing to pass on.

Mr. Gross: We offer those.

Examiner Reeves: They will be received as Respondent's Exhibits 20-A and 20-B.

By Mr. Brown:

2336

Q. Those are Schedule S? A. Yes.

(The article was thereupon received in evidence and marked "Respondent's Exhibits 20-A and 20-B.")

The Witness: The next switch is a small switch, No. 20510. The prices have been reduced and the quality has remained the same as when originally designed. In 1927 the price was $15.50; in 1929, $14.73, and in 1931, $10.93.

Mr. Gross: We offer this, sir.

Examiner Reeves: This will be received in evidence as Respondent's Exhibit 21. 2337

(The article was thereupon received in evidence and marked "Respondent's Exhibit 21".)

The Witness: I would like to say that the lowering of this price has been entirely due to economies. Although I first stated that there has been no improvement in this article, that is, no optical improvement, there has been an improvement in the mechanism that is entirely enclosed, and that makes it probably 50 per cent. longer life, more positive, so the switch

on the market today is really an improvement in quality without any competition. That is used for controlling small motors, hair clippers, and also used in yachts,—wherever a small control is desired.

(Discussion off the record.)

The Witness: The next article I offer is the radio switch for rheostats. Switch No. 20994-L is the switch as originally built in 1927 for rheostats. It occupied considerable room, and with the making of the midget inexpensive ra-

2339 dio sets of today, it was necessary for the radio manufacturers to have a switch that would not take up as much room as No. 20994-L. It was further necessary that they have a switch that would be lower in price and yet of high stability, and would be equally as good, and we developed volume control switch No. 80231, a model of which mounted to a rheostat I am offering. At the same time I am offering No. 80231 by itself as we actually build it. The prices of these articles in 1927, the price of the switch 20994-L, which was used for this work, was $15.00, which was lowered in 1929 to

2340 $14.26, which was lowered in 1931 to $9.97. No. 80231 reduced the price to $6.00.

In offering No. 20994-L, the switch attached to the rheostat is the switch that is operated by a pin from the rheostat, and is the part that we furnish.

Examiner Reeves: This will be received in evidence as Respondent's Exhibit 22-A.

(The article was thereupon received in evidence and marked "Respondent's Exhibit 22-A".)

2341

The Witness: I offer the model switch 80231, which is attached to the rheostat. The switch is the black portion attached to the back of the rheostat.

Mr. Gross: I offer that.

Examiner Reeves: This will be received as Respondent's Exhibit 22-B.

(The article was thereupon received in evidence and marked "Respondent's Exhibit 22-B".)

By Mr. Gross:

2342

Q. Will you offer as 22-C the actual switch itself? A. To make this perfectly clear, I offer switch No. 80231 alone, to show just the switch and its mechanism by itself.

Q. The lowering of the price there is due to what? A. The lowering of the price is due to the fact that to allow—to do our share in helping the radio manufacturer to produce an inexpensive radio it was necessary for us to work our engineering department in this development.

Q. It was not due to competitive conditions? A. No. I might say here that on article No. 80231 there is not a patentable feature on this switch, and undoubtedly within six months competition of some kind will arise in the field.

2343

Q. You mean by someone with no engineering skill? A. Just plain copying it, like a Chinese copy, so that when it comes in here we could not tell ours from theirs.

Mr. Gross: I offer the switch itself.

Examiner Reeves: This will be received in evidence as Respondent's Exhibit 22-C.

2344 *John R. Cook—Recalled—Direct.*

(The article was thereupon received in evidence and marked "Respondent's Exhibit 22-C".)

The Witness: I am offering now two switches at one time here, No. 8000, trigger switch, showing a slight improvement in quality and lowering in prices. In 1927 the price was $18.81; in 1929, $18.81, and in 1931 $17.91. The improvement in quality here is quite simple to see. We have lightened up the roller contract member of the switch and we have increased
2345 the diameter of the roller so that the switch would be more positive in its operation, and increasing the diameter of the roller, acting the same as the old lumber wheels on any lumber wagon going over a lumbering road. If there are any rough spots the roller will pass over them without being hung up. The price lowering here is due to improved methods of production, and not to competitive conditions. I could say on this they are patented devices that the company owns several patents on.

Mr. Gross: I offer these.

Examiner Reeves: They will be received as
2346 Respondent's Exhibits 23-A and 23-B.

(The articles were thereupon received in evidence and marked "Respondent's Exhibits 23-A and 23-B".)

The Witness: The next switch is No. 8700, 15 ampere switch, on which we have made a slight improvement in the form of contacts on the switch, having added to the later type a small phosphor bronze touching contact, to give the switch greater ability to carry overloads. The price of these articles has been reduced from $34.96½ in 1927 to $34.96½ in

1929, to $29.70 in 1931. The ability to do this was entirely due to improved methods of manufacturing and the consolidation of the department making these articles. It was not necessary to do this at all, as the article itself is a patented device.

By Mr. Gross:

Q. Is 15 amperes a fairly heavy load? A. Yes, fairly heavy. This switch is used largely, or was used largely, on hair-dryers, washing machines, and is used in places where a heavy load is required and 2348 where there is a small space to mount the switch.

Mr. Gross: I offer those.

Examiner Reeves: They will be received in evidence as Respondent's Exhibits 24-A and 24-B.

(The articles were thereupon received in evidence and marked "Respondent's Exhibits Nos. 24-A and 24-B".)

The Witness: The next two switches I have here is a development made for the gas pump business in 1929. Prior to that time gasoline pumps had been using the ordinary house-wiring switch, which would not stand up, regardless of what manufacturer was making it. It wasn't made for automatic work, and after the pumps were installed the switches gave trouble and would have to be replaced, and the pumps were of no use whatsoever if the switch contact member failed. We constructed these two switches for these gas pumps, to be mounted in an iron fitting that was to be operated in a vapor-proof box. Switch No. 100006-G was the

2350 *John R. Cook—Recalled—Direct.*

first development and No. 100006-KA is the improved development. You will notice that the difference in these two switches is the rolling member and the contact arm, making the whole operation very much easier and less subject to abuse. Switch No. 100006-G are priced at $57.00 and switch No. 100006-KA at $50.00.

Q. All these are still per 100? A. Yes, all per 100.

I might say as to competition in this field, al-
2351 though there is no patentable feature, that the lowering of the price was due to improved methods in manufacturing, and not due to competition whatsoever, because so far no one has brought out a switch anywhere near like it in quality or in adaptability to the use that it is supposed to be put to.

Mr. Gross: I offer these.

Examiner Reeves: These will be received in evidence as Respondent's Exhibits 25-A and 25-B.

(The articles were thereupon received in evidence and marked "Respondent's Exhibits 25-A and 25-B".)

2352 The Witness: Here we have three panelboard switches, Nos. 3248, 8329 and 8686, representing three stages in the development of these switches, at the same time the lowering of the prices on these switches. They started in 1927 at $53.71, which price continued to 1929, and was lowered in 1931 to a price of $40.85. We were able to lower this price due to economies and increasing our production. You can readily see in the construction of the different switches the development of the art. You will

see the contact plates are very small here (indicating) and they increase in size until they get up to this size. If you will look at the mechanism, you will see how complicated its mechanism is.

Q. Referring to what? A. No. 8329, and how it compares with 8686. I might add for information that in the panelboard switch game, which these represent, we supply the independent panelboard manufacturers in the United States who make their own switches. There are 30 to 40 independent panelboard manufacturers that have no source of supply of switches except from ourselves. They have not sufficient money or tools to develop panelboard switches; nor do they have the volume to support a department. 2354

Mr. Gross: I offer these three, Mr. Examiner, as one number, A, B and C.

Examiner Reeves: They will be received as Respondent's Exhibits 26-A, 26-B and 26-C.

(The articles were thereupon received in evidence, marked "Respondent's Exhibits Nos. 26-A, 26-B and 26-C".)

The Witness: The next two articles that I will offer are switches Nos. 8391 and 7828, in which the quality has been materially improved and the prices remaining the same. You will observe that the contact members have been very much improved, increasing the ability to carry necessary loads, and also the operating mechanism has been much simplified, to make it a great deal more positive. 2355

2356 *John R. Cook—Recalled—Direct.*

Q. What does that carry? A. They carry 60 amperes, 250 volts. That is rated 3250, and this would be rated 6250. It is a higher-rated switch.

Q. What is the purpose of it? A. It is used for panel work, for branch circuits of high currents.

Another thing you must observe about this switch is that switch 8391 had a steel frame, so that if moisture came in and got between the steel frame and the bakelite installation it formed a path for the juice to go across, because this frame is grounded. It would start here and go down here and down
2357 here (indicating), whereas on the new type we have eliminated entirely the steel back, making it entirely bakelite, to prevent this occurrence. That also applies to these other switches.

Q. The last three? A. Yes.

Mr Gross: I offer these.

Examiner Reeves: They will be received as Respondent's Exhibits 27-A and 27-B.

(The articles were thereupon received in evidence and marked "Respondent's Exhibits 27-A and 27-B".)

The Witness: I wish to offer as representing
2358 the skill of our engineering department, and to show to the extent that we have gone in our bakelite department, a panel—a bakelite panel unit, representing one of four or five different panel units we have built for the independent panelboard manufacturers, so that their product could be kept up to date and so that they could meet competition in the field in the pursuit of their business. It will be wholly impossible for any one of them to make the investment in bakelite molds or to have the volume to support such an investment. The tools for

these units are very expensive. It is a development that had to be made, and a very large chance had to be taken by the company that the article would be successful. It is today without competition, and our price in 1929 was $3.09 a piece per unit, not a hundred in this case, but for each, including switches and all connections. They are put in a box, and one is lined up right after another. They are turned upside down, and this whole thing is put in a box, and the main line is run up from the bottom of the box. They may have six or ten of 2360
them here, and they all compose different circuits. The price in January, 1929, when this was brought out, was $3.09.

Q. A piece? A. A piece, and lowered to $2.64 by January 1, 1931, and without competition. I might say that originally we put the price high because we had no idea of how many we would sell. When we found that our volume was fairly large we could pass on the saving to these users.

Mr. Gross: I offer this.

Examiner Reeves: It will be received in evidence as Respondent's Exhibit 28. 2361

(The article was thereupon received in evidence and marked "Respondent's Exhibit No. 28".)

Q. Would these improvements represented by these 28 exhibits have come along or have been so extensive if the engineering departments and resources of the two companies had not been brought together? A. No, they would not. In the first place, if the engineering department had not been

thrown together, we could have never fully developed into a hard-hitting engineering organization as we are today. In other words, we can have engineers concentrate on one particular type of work, and another engineer concentrate on another type of work, and so on down the line. Now, if the companies had been separated, two engineers or one engineer would have to devote themselves to different types of work, and we could never have had specialists in our engineering department. For instance, today we have engineers who work entirely
2363 on development work, on imaginary, imagining new types and designs; we have engineers entirely on trouble; that is, some trouble develops in an article; we have engineers entirely on the building of tools, and we have an engineer whose duty it is to see that the business and contact with the sales department is properly taken care of, and he is more or less our business engineer. Neither the Hart & Hegeman Company nor the Arrow Company would have taken the chances of taking up such development, if they had not the resources whereby they could take the chances. In other words, we have more or less made the engineering department stand
2364 on its own feet, and we are perfectly willing to take chances on future developments, even though among those there are failures.

Q. Are these 28 exhibits, with their companion parts, fair examples of the savings which you have made on the mass production items of the various schedules, B, P, H and S? A. They are, but they don't anywhere near cover the entire—

Q. But they are fair examples? A. Yes.

Q. They are not extraordinary instances, but a fair cross-section of the mass production work? A. Yes.

Examiner Reeves: The hearing will be adjourned to 10 o'clock tomorrow, June 18th, at the same place.

(Whereupon, at 5:00 P. M., June 17, 1931, the hearing in the above-entitled matter was adjourned until 10 A. M., June 18, 1931, at the same place.)

Conference Room, Arrow-Hart & Hegeman Electric Company, 103 Hawthorne St., Hartford, Conn.

2366

June 18, 1931.

Met pursuant to adjournment, 10 A. M.

Before—WILLIAM C. REEVES, *Examiner.*

APPEARANCES:

E. H. HAYCRAFT, Attorney for the Federal Trade Commission.

CHARLES WELLES GROSS and WALLACE W. BROWN, of Gross, Hyde & Williams, 49 Pearl Street, Hartford, Conn., Attorneys for the Respondent.

2367

PROCEEDINGS.

JOHN R. COOK was thereupon recalled as a witness, and having been previously duly sworn, testified as follows:

DIRECT EXAMINATION (Cont.) BY MR. GROSS:

Q. You put in, Mr. Cook, some 28 or more exhibits showing in many instances considerable improvements which have gone into mass production in the

2368 last few years. Will you indicate how these, before they reach production, are carried on, whether extensively carried over a period of months or whether they are rapid developments generally. A. Why, in the planning of every economy and every new article, the rapidity with which your plans will be consummated into the finished article is a variable quantity; sometimes very long and sometimes with a great deal of speed. It depends entirely upon the ability of the engineers to conceive and then the factory to execute the conception. A
2369 great many of the economies that I have shown there were started back in 1927. A number of them were not consummated until 1928, and some of them not until 1929. If I may digress for a moment: Here is a circuit-breaker. There is a tremendous demand in the field today for a circuit-breaker. I might say that a circuit-breaker is a switch that will stand a given load, and will stand a given overload for a short period of time, but if the overload continues, it will automatically snap off, and replaces fuses. It is used for the protection of motors, and also for the protection of all lamps and lighting loads. Now, that article has
2370 been worked on four years. We have any number of models. We think we have it about perfected. In my opinion it is about ready to be launched, but before we could get the final O. K. on it, Mr. Guett sailed for Europe, and that has delayed it again. We have all kinds of delays that enter into the development of material and in the making of economies such as that. Another thing that delays us a great deal is the fact that although a man might conceive making this particular article, it is whether it is workable and salable, and another engineer has to conceive the tools; whether it can be made

economically. A lot of these articles were started back in 1927 and 1928, but could not bring them to a head until a year or a year and a half, and sometimes two years later.

Q. What is the amount which was spent by this company, for instance, last year on tools for new developments, approximately? A. Approximately $250,000. I think it is a little higher than that, but that is a safe figure to state.

Q. You testified that this combined engineering ability of the two companies has allowed the two companies and then the two divisions to make large 2372
economies and to put out better articles for the benefit of the public. What effect upon the competition of the two companies and the two divisions did that consolidation of engineering abilities in these economies have?

Mr. Haycraft: That is objected to as calling for a conclusion of the witness.

Mr. Gross: Bear in mind that Mr. Cook has testified before, on previous testimony, when he was on for the Commission, that he is the general manager, and that one of his duties has been to stimulate the ingenuity and inven- 2373
tive genius of this department. If anybody knows, he knows. How five gentlemen in Washington can determine better than he, I don't know.

Mr. Haycraft: That is the duty of the five gentlemen.

Mr. Gross: I don't know of any court that does not want help that will enable them to form a conclusion.

Examiner Reeves: I think the objection will be sustained, as to the question in that form.

2374 *John R. Cook—Recalled—Direct.*

Mr. Gross: Will your Honor note an exception?

Examiner Reeves: An exception may be noted.

Q. Has the combination of the engineering ability of the two companies while they were operating as two companies and of the two divisions while they were operating as two divisions in any way lessened competition between those two companies and those two divisions in their sales effort?

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Mr. Haycraft: The same objection.

Examiner Reeves: The objection will be sustained. I think, Mr. Gross, it would be better if you would inquire from the witness what the effect has been and let him give a picture from which the Commission might draw a conclusion.

Q. What effect on the sales effort of the two companies, and later on the two divisions, did this combination of the engineering ability of the two companies, and later on these two divisions, have? A. Why, starting back in 1927, we will have to look

2376 at the picture of the two companies. The Hart & Hegeman Company had a higher supply of switches that were existing on the market. Their receptacles, plug materials, and sockets were not the same class. They were really—I won't say cheap material or inferior material, but their standing was not the same in the field. Their acceptance was far different. The Arrow Electric Company, who primarily started as a switch concern, had built up their reputation in the last ten years before the holding company was formed on sockets and on re-

ceptacles and plugs. Their switches and switch development was—I won't say second grade, but not of the same class. They were not recognized as high-class switch manufacturers.

The first move made in 1927 was that the Arrow Electric Company made for the Hart & Hegeman Manufacturing Company and sold to the Hart & Hegeman Manufacturing Company, sockets, receptacles, and plugs, which at that time, I think it has been previously testified, the Hart & Hegeman Company were losing money on. They were made for them so that Hart & Hegeman could make a 2378
profit on them. In turn the Hart & Hegeman Company sold to the Arrow plates. They also, through the medium of Mr. Guett and some of his engineers of the Hart & Hegeman Company looked over all of their switch construction and design, with suggestions of changes to be made, and any new articles had to pass under the scrutiny of Mr. Guett before they could be finally manufactured by the Arrow. Immediately the Hart & Hegeman sales organization was given a line of high-grade sockets and receptacles, with which they could go out and compete for business. The Arrow Electric Company, in turn, were given a line of high-grade 2379
switches with which they could go out and compete.

Now, the effect was this: You had two organizations fighting for the business, and it put a great deal of zest into the Arrow man to be able to offer a switch that was second to none in the field, and it put a great deal of zest into the Hart & Hegeman man to be able to offer a high-grade line of sockets, receptacles and plugs, and their ability to fight very much increased not only the fight with each other for the business, but to fight all competition.

2380 Q. What, then, was the prime motive which caused these improvements to be made in these sample switches which you indicated by these 28 or more switches?

Mr. Haycraft: That is calling for the intention or motive on the part of the respondent. It is incompetent, irrelevant and immaterial to the issues in this case.

Examiner Reeves: Objection overruled.

2381 A. The prime motive in bringing out this material and making a great many of the improvements such as we have had made,—Motive No. 1 was a motive to make economies in the manufacturing, so that we could either be in a better shape to compete and still maintain a profit, if our profit went down, or to make more profit on a given article. There is a further motive, which really was involved in the development and in the improvement of the articles and the bringing out of new articles, which was this: The position of these two companies in the field had to be maintained. I have to digress here a second, Mr. Haycraft: The way of merchandising

2382 our material was really an impression on the jobber and the trade at large that we created. Now, we could put on a half-dozen jobbers in any given place, but to move the material off his shelves is another problem. We had to create a preference for Arrow material, a preference for Hart & Hegeman material in the field. This preference is created, first, by the specifying engineer, the architect, and even by the contractor, creating a demand on the jobber. Now, if we have got the reputation, which I think we have, of being a pioneering company, a company that is bringing out new material

of the highest quality, immediately we create in the mind of the public a desire to use that company's material, and we create in the mind of the jobber a desire to handle that company's material, because he is getting a demand for it, and it is the material that he gets a demand for that he is most anxious to handle. That is a case of just plain business sense. If he can get a greater demand for Arrow material he will handle it; he would prefer to handle it, because he had to do less selling. The amount of wiring devices—I think this can be verified by statistics which I have seen—that the jobber handles is about 7 per cent. of his total sales. 2384

Q. You mean 7 per cent. of the sales of the jobber of all his line in wiring, cable and pipe? A. Yes, and conduit—everything. That is an electrical jobber, of course.

Q. Is the margin closer on the turnover of electrical wiring devices in a jobber's store as compared with most of his other lines? A. That generally speaking it is; the margin is closer. It may vary—for instance, on the Pacific Coast they have a larger margin than they do in New York, but that is governed largely by local conditions. Generally speaking it is.

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Q. Does that itself require greater promotional effort to the ultimate consumer on your part because of what you get from the jobber on that particular line? A. That is the main reason. If a jobber could make around 11 per cent. on our material he would spend much more sales effort. However, there are a great number of independent manufacturers who will go right to the contractor and sell this material for less than the jobber can afford to sell it. That brings the jobber's profits down. On high-grade material the jobber depends

on the fact that he can get more himself than the independent manufacturer can on a lower grade of material. For instance, we make a 30-ampere nitrogen lamp switch and duplex receptacle, and a fan hanger. The contractor can only get those from the jobber, because the independent manufacturers do not pioneer anything, and at least the jobber will have two or three things in which he does not have to compete with them.

Q. In the examination by the attorney for the Commission, I think of one or two jobbers, and then
2387 I think of one of our competitors, the question was asked as to whether or not there were any articles now put out by the new respondent which carried as a brand "Arrow-H. & H.", instead of the separate brand from the separate divisions. Will you state how extensively that is the fact? A. That has occurred, to the best of my knowledge and belief, only on two articles; one is an attachment plug, which is the ordinary competitive attachment plug. When we speak of plug material—we have many, many different kinds of plugs. There are quality items and sell for special purposes in small lots, but we have one standard competitive plug that is sold
2388 and put on any device that plugs into one of these receptacles. In the molds that make those the manufacturer's name ordinarily does not appear; in a great many you can't tell, and it matters very little to the trade at large whether they use this company's attachment plug or someone else's attachment plug. The only difference in quality is a bakelite attachment plug and a cold-mold attachment plug. They are all made to certain standards, and they are all very much alike, and the price condition enters slightly into the sale of it, but the company doesn't care and the ordinary user doesn't

care whose plug they use, so that article was put under the Arrow-H. & H. name. The underwriters require us to stamp our name on the article, and we stamped the twin name on that particular one because it would not matter who was selling the attachment plug. There isn't so much of the element of quality that enters into it.

Q. About as much as good will as in a clothespin? A. Yes. The other article, the motor switch, that was put out originally by the appliance department—

Q. Of the new respondent. A. —about two years ago, yes, and the idea was to sell it for machinery, to manufacturers for installment on their machinery, and the idea came to us that we could sell that particular article in the jobbing field, and the name plate on it happened to be Arrow-Hart & Hegeman, and the decision came about the first part of the year. 2390

Q. The fact that you put those two isolated examples out with the mark "Arrow-H. & H.", whether that is indicative of a change in policy, to put one brand on all your business?

Mr. Haycraft: That is objected to.

Mr. Gross: If your Honor please, that is the question he went into yesterday with his witnesses, as to change of policy, and he put great stress on it. I am entitled by this gentleman to indicate whether there was any change of policy. 2391

Mr. Haycraft: Of course my inquiry was to determine the extent of his knowledge of the question he was apparently trying to elaborate on, and which was brought in by counsel for the respondent over the objection of counsel for

2392 *John R. Cook—Recalled—Direct.*

the Commission. That does not make that matter an issue.

Mr. Gross: He asked gentlemen in the trade, and he asked our competitors, questions which would lead the Commission to believe that there was a change. Now, I am coming right back to headquarters, and I am entitled to ask this gentleman, and I claim the question.

Examiner Reeves: I can't get away from the feeling that this is merely asking for a conclusion of the witness.

2393 Mr. Gross: It is a question whether it was a change of policy. Who determines policy?

Examiner Reeves: Why don't you have him state what the policy was originally and then delineate any changes, if any?

Q. When the old respondent was formed, it has been testified, the two brands were continued on separate articles, and also at the time the new respondent was formed the two brands were marketed through two divisions. Has there been any change in policy with reference to maintaining the two brands? A. There has not been.

2394 Q. Is there any contemplated on your part as general manager of this company? A. There is not.

Q. I show you a record book and ask you what that book is? A. This is a record book covering the minutes of the Board of Directors and the stockholders' meetings of the H. & H. Electric Company.

Mr. Gross: May that be marked for identification?

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Examiner Reeves: The book may be marked Respondent's Exhibit 29 for identification, with leave granted to withdraw the exhibit.

(The book referred to was thereupon marked "Respondent's Exhibit No. 29 for identification".)

Q. Were you one of the incorporators of this company? A. Yes.

Q. And the temporary clerk of the organization meeting? A. I was.

Q. And a director? A. I was.

Q. And secretary? A. I was.

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Q. I show you Exhibit H attached to the answer of the Arrow-Hart & Hegeman Electric Company to the supplemental complaint, and ask you whether you know of your own knowledge that Exhibit H is an exact copy of everything that is in the record book of the H. & H. Electric Company which has just been identified as Respondent's Exhibit 29? A. It is.

Mr. Gross: I ask, Mr. Examiner, if your Honor approves, that Exhibit H, attached to our answer, may be marked as Respondent's Exhibit 29 and made a part of the evidence in the case, rather than have the official book go into the files of the Commission. Is that satisfactory, Mr. Haycraft?

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Mr. Haycraft: Yes, that is all right.

Examiner Reeves: The record book heretofore identified as Respondent's Exhibit 29 may be withdrawn, and there may be substituted in lieu thereof the papers constituting Exhibit H of the answer of the new respondent to the supplemental complaint, which will be received in evidence as Exhibit 29.

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(The document was thereupon received in evidence and marked "Respondent's Exhibit No. 29".)

Q. You were present at each of the meetings of the incorporators, stockholders or directors? A. I was.

Q. As temporary clerk and secretary of that corporation, I ask you whether that record book contains a record of every corporate act of the company? A. It does.

2399 Q. And of every agreement made or obligation undertaken by that corporation? A. It does.

Mr. Gross: You may inquire.

CROSS EXAMINATION BY MR. HAYCRAFT:

Q. When did you first become associated with the Hart & Hegeman Manufacturing Company? A. About 12 years ago.

Q. In what capacity? A. At that time I came in the capacity of assistant to the service manager.

Q. What were your duties? A. They were to see that the customers received their shipments in
2400 prompt order. If I may digress here: The Hart & Hegeman Manufacturing Company had a very big production system, or planning department, and I practically had to run the planning department, not officially known as that, but I had to be right there and make the plans and get out the merchandise.

Q. How long were you assistant manager? A. I would say that lasted a year and a half or two years, and then I was service manager.

Q. What were your duties then? A. Exactly the same.

Q. To see to it that the products were gotten out? A. Yes, at that time.

Q. How long did you continue in that capacity? A. I continued in that capacity—I might digress here again—the work with the production department largely carried me into the engineering department, on account of trouble in production, and I then commenced to get thoroughly acquainted, not only with the production all through the factory, but also in the engineering end of the business. I 2402
carried on in that capacity, and we commenced to work with the engineering department. I commenced to get the idea—and Mr. Guett would let me work with him on certain things in envisioning what could be sold and what could be brought out, and I drifted away. Although the service was still under me, within two or three years I wasn't doing any service work. I was spending my time on planning out some new things that we could build so that we could increase our sales and build up our Hart & Hegeman name among the jobbers.

Q. When was it that you made this connection with Mr. Guett? A. I would say three or four 2403
years after I first entered.

Q. About 1922 or 1923? A. About 1922 or 1923.

Q. As time went on how did your work develop? A. As time went on—naturally the Hart & Hegeman line business was strictly a jobbing line business. This original development that I was working on and playing with was strictly for the jobbing end, and my next phase of it was—naturally the service end brought me in contact with the sales end of the business, and then at that time—I would say about four years, at the same time I was making

contact with Mr. Guett, I asked Mr. Morris' permission on certain ideas on the jobbing business, and to conduct experiments on these ideas.

Q. What were those ideas? A. It was to give these customers a better service. I mean talking to the jobbers and to the contractors and specifying people, creating a demand for Hart & Hegeman merchandise, and when that demand was created, to show these distributors that the demand existed, and to get them to handle our line. What actually took place was that a great many handled Hart &
2405 Hegeman on a few of their switches, and they wouldn't handle receptacles or sockets, and so forth. There was an effort to get them to handle the line more completely.

Q. What did you do along that line? A. Well, to give you an idea, large buildings were being built in Hartford, like the Connecticut General, or the Connecticut Mutual, and I would go and see their engineers on it, or some official in charge of their construction work, and I used all the persuasion I could; that we were a Connecticut concern, tell them of the quality of our goods; and then I would have to see the designing engineer and architect,
2406 and then I would see the contractors that were doing the job, and I would try to cooperate and work with them on it, and then if the order came through, and contractor A was using the Hart & Hegeman material on this particular job, I would go to the jobber and say so-and-so has got the job, with Hart & Hegeman specified. "Get on the job and go after it".

Q. Did you, during this period of time, have other men go out and do the same thing in other places? A. Yes, they were doing it, but the idea—they were doing it not quite in the same manner. A great

many of our men were spending a part of the day in trying to convince the contractors that they should buy, and to buy from so-and-so jobber, but this took another branch; it is more intensive work; to see what could be built up. I will give you what I am driving at there. The Graybar Company opened a branch here. Although they were distributors of ours we were at least the third line that they handled. It was convincing to them to create a demand among the contractors so that it would be necessary for them to put in our material in their stock.

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Q. That would be necessary pretty nearly always where a jobber of that size was in business, to create some such demand? A. Yes, it is alway necessary to create a demand for the jobber. If you don't, the jobber will throw your line out and handle somebody else's.

Q. I believe you testified that your sockets were made over in Philadelphia? A. That is correct.

Q. And you had some difficulty in keeping up the standard. Did you do any work on that yourself? A. No, the sockets—Mr. Paiste was still running the Paist factory. Mr. Paiste was a very good engineer, as far as making an original model, but

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was not a good manufacturer, and he could make in the tool room or the model room a beautifully-working model, but he was not a practical manufacturer. He could not keep up with the details. At one time Mr. Morris wanted me to go down to Philadelphia to see if I could do anything with it, but I turned it down. I was very positive on it, that I did not care to go down there.

Q. Did you have anything in the way of utilizing bakelite prior to October, 1927? A. I can't answer that positively. If we did it was in a very small

and minor way. I believe the only thing that we used in bakelite material—we started a radio parts department, and we bought bakelite from the Hoosick Falls Company, and we bought some bakelite plates. They were just entering the field; but it was a very small business at that time.

Q. Prior to October, 1927, and during this time that you cooperated with Mr. Guett; what were some of the leading new devices that you brought out as a result of your work? A. Well, at that time we made several improvements on our switches.
2411 Prior to that time the push-button switch was the only thing that was used—I mean the biggest seller—in this country, and we brought out a toggle switch with a metal lever, and we exploited that as a new article, and then about a year or a year and a half after that we found that the demand was for a composition lever, and we made that. Both of these switches originally were deep switches; they wouldn't go into a two-inch wallcase, so we started in to make a two-inch toggle switch, which was made—that was the development up to that time. We made other developments, in the rotary switches. There seemed to be a demand for
2412 rotary motor switches for two-phase currents, where it is necessary to have four connections and eight binding posts, and a great many of that nature were not commonly carried by competitive companies. We made a great many of those. Mr. Guett, being a man who was more a mechanical and designing genius, was not apt always to get the outside point of view as to how articles should be built and the requirements that were put on them, and it was necessary for someone to get together such specifications and paint the picture to Mr. Guett, so that his enthusiasm would be aroused to build switches

and other wiring devices to meet such specifications and requirements.

Q. Then wasn't it your duty to superintend mass production of the articles so they could be made commercially possible? A. Only indirectly. I talked a great many things over with Mr. Guett, but his knowledge at that time was far greater than mine. We worked along this line; I would get a particular switch and we would figure that if we could build that for 20 cents and make a profit by making it in 25,000 lots—then we would meet the sales angle—and this is a hypothetical case—so 2414
that if we could make it at 16 cents we could sell twice as many, and it could be useful in a great many places where it could not be useful at 20 cents; naturally, also, different tools had to be set up to make them, and I worked with Mr. Guett along such lines, but so far as the designing of the tools that would make them was concerned, on that I wasn't an expert.

Q. He was? A. He was, yes.

Q. Prior to October, 1927, were you in close enough touch with the production end of the Arrow Electric Company to be acquainted with the devices that they brought out? A. I was acquainted with 2415
the devices they brought out and I had been in their plant, but I was not acquainted with their mass production methods.

Q. And who had charge of their production at that time? A. I presume at that time Mr. Alley had charge, and Mr. Benjamin Perkins was the leader in it.

Q. What was the nature of the devices that they brought out? A. They were always pioneers in bringing out new sockets, and also they were pioneers in bringing out a competitive attachment

plug. Prior to that period the attachment plugs had sold as high as 9 cents a piece, and they were of expensive construction, and they brought out a very inexpensive one, and if I remember correctly, that was the first drop in the price, when they brought it out at that time, a drop from 9 to 5 cents.

Q. How long ago was that, about? A. I would say, offhand, six or seven years ago. They also were the pioneers—the Arrow Electric Company—in bringing out side-wiring receptacles. All recep-
2417 tacles had very expensive contacts, very expensive molded parts, and they brought out a receptacle where all the parts were held together with only one rivet through the center, and it was less expensive. They went into mass production, and that was about six years ago, if the other was seven, and naturally they made a tremendous impression on the trade at large by bringing out these articles.

Q. Your mass production was on what particular items? A. Our mass production was mainly on switches.

Q. And the Paiste Company made all your socket material? A. Yes. You see, we made our money
2418 in Hart & Hegeman on the one hand, and Paiste was losing on the other.

Q. Now, when was it that you made that change—just how was that brought about, the Paiste over to Arrow? That is, how did you get rid of Paiste? A. When the holding company was formed, we naturally cast around to find out what items we were losing money on in Hart & Hegeman, and it was on the socket and plug line that we were losing money. That was the first thing we realized.

Q. Why was it that you just thought of it at that time? A. Because if we had thought of it

heretofore—the reason we did at that time, if we had done it before the result would have been this: We would give our business to some company who would have been interested in our business so far as the business was concerned, but if things picked up, and they weren't interested—well, you can very readily see that we would be quite cautious about the company making our sockets.

Q. You did not want to be placed in a position where the supply would be cut off? A. That is the exact answer.

Q. As I understand it, from what transpired, what happened was the Arrow people bought out the Paiste plant? A. They bought the assets of the Paiste Company. 2420

Q. Wasn't there real estate? A. Yes.

Q. What happened to the real estate? A. It is still held by us.

Q. What interest did you have in the plant at that time? A. We owned it.

Q. The Hart & Hegeman? A. Yes.

Q. And Mr. Paiste was running it? A. Yes, he and Mr. Eaton. Mr. Eaton was his assistant.

Q. The question that came to my mind is, you had to displace Mr. Paiste, and you decided to do so? A. Yes. I didn't; the Hart & Hegeman Company. 2421

Q. The corporation? A. Yes.

Q. Did you sit on any of the negotiations as to the plans that were made? A. I did not.

Q. Mr. Grier and Mr. Williams handled that? A. Yes.

Q. Thereafter, then, am I correct in assuming, that the manufacturing of sockets, receptacles and plugs, that bore the H. & H. trademark were manufactured under the supervision of Mr. Alley of the

Arrow Company? A. They were manufactured by the Arrow Company and under the supervision of Mr. Alley, and were purchased by the Hart & Hegeman Company from the Arrow Company.

Q. At a flat price, at an agreed price? A. Yes.

Q. Can you give us, in some detail, as to what Mr. Guett and yourself did with respect to the Arrow switch construction and design in 1927 and 1928? A. The first thing that was done on the design was that Mr. Grier brought Mr. Guett in to look over the design of all Arrow switches, which
2423 in itself is quite a long job. He would take one switch today, and he would give a great deal of study to it to see whether by making some minor change it could be improved or any economy could be exercised. The first positive thing that I think he did in helping them on the design was on the little handle on their tumbler switches, which is partly composition and partly metal. The Hart & Hegeman had experienced some trouble on that five or six years ago, and they saw the Arrow problem right away. In going over the designs of their material he would show them whereby any little change they could probably get twice as much life
2424 out of the device, and they went generally through the Arrow switches.

Q. So that within a short period of time, would you say, that the Arrow line of switches was as good as the Hart & Hegeman line? A. It depends on what you call a short period of time. I don't think the Arrow switches came up to as good as the Hart & Hegeman for three or four years, but these switches—the tumbler switches, were brought up—that transpired in 1927 or 1928, and their development went right along, but others could not be put into effect although they were thought of

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and planned out. What I have reference to,—let us take the canopy switch that I showed you yesterday. That had been thought out by probably Mr. Guett, oh, I would say two and a half years ago, but it wasn't put into production until about six months ago. I am referring to Exhibit 16-B.

Q. Did you continue your campaign, you might say, of intensifying your effort on educating and soliciting from the contractors, builders and architects? A. Individually and personally?

Q. No, under your direction. A. There was a lapse there in my continuing my effort. This is prior to 1927 that you are talking about?

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Q. I thought I brought you up to that. A. Well, there is a lapse there, where I spent my major time in 1927 on the appliance end of the business.

Q. Did that work go on? A. Yes.

Q. Under whose direction? A. Mr. Everest, and Mr. Williams—Mr. Everest took it up, and Mr. Williams carried it through with him.

Q. Was anything done along that line in the Arrow organization? A. Yes. They were concentrating largely, however, upon the socket users, and we were concentrating largely upon the switch users.

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Q. Wouldn't they be the same? A. They would not. Switch users of high-class material are generally the larger contractors, doing the wiring for the larger buildings.

Q. Do they use receptacles and sockets? A. Very few sockets.

Q. How do you explain that? A. Because in a building the people that would install the fixtures were usually fixture manufacturers. The difference between a fixture manufacturer and small contractor was hard to tell, except when you get in where

2428 you have a large fixture manufacturer who sold the contractor, so the Arrow Company in their desire to sell sockets and attachment plugs were concentrating on the smaller contractors who had a lot of wired fixtures and sold fixtures.

Q. Did they continue their efforts during that 15-months period? A. The Arrow Company had given up the sockets, and we started right after the smaller contractors, and they also started for the larger contractors and specified work, because their switches were being improved. Of course, after
2429 that period the concentration then became greater, because as the two lines were more improved, both sales departments would go out to both classes of trade more readily than heretofore. It was folly for the Hart & Hegeman salesman to sell a lot of his Paiste sockets, because a great many times the result was that we had to take the sockets back. We were wasting our time in trying to sell our material.

Q. Was it true that generally throughout the country the Hart & Hegeman line was handled by a better grade of contractors and the Arrow line probably by the next best? A. The contractor that
2430 does the wiring of a large building is usually a larger contractor, and on account of the nature of his work, is usually in a better financial position. The Hart & Hegeman line would be sold to that type; whereas the fixture manufacturer, or the fixture contractor was usually a smaller contractor, and one that usually did not have as much financial backing as the contractor that did the large building jobs. That is generally true.

Q. In both instances they received their supply of goods through the jobbers? A. Yes.

Q. And the result was, I believe you testified, that during that 15-months period, and later, the Arrow salesman was able to offer a better line of switches and the Hart & Hegeman a better line of sockets? A. And receptacles and plugs, yes.

Q. Are you acquainted with the general sales results of these two companies and the two divisions subsequent to October, 1927, from the point of volume? A. Generally.

Q. Did the two divisions keep pace with each other? A. They were practically the same.

Q. In 1927, comparing the sales in 1927 with 2432
subsequent years, the domestic sales, of the Hart & Hegeman Company and the Arrow Company, and later the Hart & Hegeman Division and the Arrow Division, did they increase or decrease? A. I think one year Hart & Hegeman increased its jobbing business. The Arrow had a tendency to go down.

Both divisions during that period, on account of the fall in the market had a tendency to lose in the jobbing game on shelf goods, but one year the Hart & Hegeman division made an increase, in 1929, but this can be readily shown and explained by the fact that the socket material and the plug material and the receptacle material which they were purchasing 2433
from the Arrow Company had commenced to have its effect. You will observe that throughout the figures,—that the percentage of loss of the Hart & Hegeman Division was less than that of the Arrow, due to the fact that material of high quality, along lines which they knew to be high quality, they secured practically 100 per cent. at once, whereas with the Arrow Division, which was a case of going over a good many articles that they were perfecting and changing, it took longer to effect. This shows that the percentage of loss of the Arrow in 1928 and 1929 was less than it had been previously.

2434 *John R. Cook—Recalled—Cross.*

Q. What do you mean less? A. Their losses were less. That is when the better constructed switches commenced to have its effect.

Q. But you testified that the Hart & Hegeman sales increased in 1929 as compared with 1928. A. Yes.

Q. Although 1928 was slightly smaller than 1927? A. Yes.

By Mr. Gross:

2435 Q. On shelf goods, you mean? A. Yes.

By Mr. Haycraft:

Q. Less in both years? A. Yes.

Q. That is a loss over one year? A. Yes.

Q. The figures that you have in mind in your testimony now, or the volume in money, would it be possible that it may be an increase in the number of articles sold? A. It would be.

Q. Can you testify, or do you have any records available from which you can testify with respect to the number of articles sold during that period? A. I haven't here.

2436 Q. Can it be prepared without any trouble? A. I don't know whether it can.

(Discussion off the record.)

The Witness: The volume in pieces would not be indicative of anything. We may sell more 3¢ articles than we would 15¢ articles. If you want me to speak generally on this, Mr. Haycraft, I can say this, which I formerly testified to, that although there was a decrease in the Arrow sales and also a decrease in the Hart & Hegeman shelf goods sales, except dur-

ing the year 1929, this decrease from all available information that we can secure of either division has been nowhere as great as the decrease of our competitors on equivalent material.

Q. Upon what do you base that statement? A. On what figures?

Q. Yes. A. Entirely from reports from my managers, salesmen, and also entirely on conversations with our competitors as to how much business they lost during a certain period. Any particular individual may give you incorrect information, but when you take the information as a whole from a great number of individuals, it points to a conclusion usually that is very accurate. 2438

Q. Your conclusion is that the two divisions during that period of time managed to maintain their relative position in the industry; in fact, increased it, so far as your competitors were concerned? A. Yes, my conclusion is—shall I say a conclusion? My conclusion is that—

Q. Yes, for whatever it is worth. A. —that during that period that the two divisions were perfecting their lines by being able to purchase better material, the Hart & Hegeman Company from the Arrow, and the Arrow Company from the Hart & Hegeman, and the using of Hart & Hegeman engineers in the construction of Arrow switches, enabling those two companies to compete with each other as well as the field at large. 2439

Q. How would they compete with each other? A. The two divisions compete with each other in this manner: Prior to 1927 the Hart & Hegeman division had no difficulty whatsoever in displacing the Arrow Company on switches. The reverse of

that is also true; the Hart & Hegeman Company could not sell and keep sold its sockets against Arrow competition. That enabled both companies to be stronger. Where they once installed themselves they could not so easily be displaced as they were heretofore. That is what I meant by that.

Q. That would be true so far as competition is concerned, but I can't follow you as to competition between each other? A. Oh, yes, very easily, because if the Hart & Hegeman Company were distributing first to distributor A, who had an insis-
2441 tent demand for Hart & Hegeman material to the contractor, and so forth, it was more easy for that division, or that company, in 1927, and even later, to keep that distributor in line, when they knew that they were not getting back Hart & Hegeman sockets and receptacles, when they knew that it had an acceptance with the contractors and architects for Hart & Hegeman sockets and receptacles. The reverse of that is also true of the Arrow switches, and it enabled those two companies and the salesmen of those two companies to have a great deal more aggression in going after that business and holding their business in the face of Hart &
2442 Hegeman or Arrow competition or anybody else's competition.

Q. Were the customers of the two divisions told that the sockets were better and the switches were better? A. A great many of the contractors are very familiar with the construction of sockets and switches, and they recognize certain weaknesses in the construction, and we go a step further; when once installed, if any trouble develops, it is proof that the quality was not there.

Q. Would the Arrow salesman calling on the customer tell him that the article would be better be-

cause of the assistance of the Hart & Hegeman engineer? For example— A. No, not at all. When the Arrow salesmen were showing, for example, the toggle switch that I spoke of before, they would say that it had been improved, and they would no longer have the trouble.

Q. And vice versa with the socket proposition? A. With the socket proposition it was the reverse of that.

Q. Wouldn't your Hart & Hegeman salesmen say that they were being made by the Paiste Company? A. No.

Q. Why? A. Because of our competitive spirit. 2444
The Arrow people did not want to admit that they got anything from the Hart & Hegeman so far as quality was concerned. The Hart & Hegeman were the same way. They did not know anything, as far as the trade was concerned, and they were in competition with each other. The trade did not know about it.

Q. How long would you suppose it was before the trade found it out? A. I think you will find that the testimony so far is that the trade does not realize it even today.

Q. The testimony is the other way, that they realize it now. A. They realize that the two companies 2445
got together. They don't realize that the Arrow Electric Company is making Hart & Hegeman—

Q. You weren't present at the hearing where the witness testified that he had received an article with a Hart & Hegeman label on it and an Arrow label pasted over it? A. There are accidents in the field. He said that he did not know whether he got an Arrow or a Hart & Hegeman socket in there; nor did he know anything about the construction. Of course, you realize that a great many of the shelf

goods items that are put out,—Hubbell, Bryant, G. E., Arrow—you can't tell one from the other.

Q. You could only tell from the way they worked? A. Yes.

Q. Now, this competition between the divisions which continued. Of course it is not your contention that there was any price concession or any better credit terms, or anything like that? A. No.

Q. It was merely a matter of personality of the salesmen, and continuing the contacts that they had made previously, and trying to improve them,
2447 and offering a better quality? A. That is correct. We make a lower price which we print on our discount sheets, and it is immediately met by all of our competitors, there are practically no price differentials. It is just like—we look at our material, for instance—to digress a minute—what we mean by this, it is like the raw material. Take copper, for example. Copper today is 8¼ cents. We can buy copper from any number of people, and our price would be the same, yet two companies get our business. We can buy it from a dozen. The commodity is the same; copper is copper, when you get down to it, provided it is refined to a certain de-
2448 gree. We give that business to one or two different companies because they give us service, because we like the individuals that call on us,—many reasons.

Q. Isn't there a difference between your copper illustration and this, that there is a difference in the quality that you put out, and that is a big talking point? A. A very big talking point.

Q. And naturally, since 1927, your quality is practically the same; the same engineers and the same men in charge to try to develop it and make money for the stockholders, with the same officials? A. Not 100 per cent.

Q. For instance, the Hart & Hegeman forces were trying to put their products on the market in a way that they would make money for the corporation? Also the Arrow? Is that true? Both organizations were attempting to make a profit for their respective organizations? A. In 1927?

Q. 1927 and 1928. A. Yes.

Q. And naturally they were going to push their lines as much as they could in order to make money for their respective corporations? A. Yes.

Q. But there wouldn't be any advantage in doing it to the extent of taking it away from each other? 2450
A. Yes, there would be.

Q. How? A. Each salesman and each sales department was independent. Each sales department is paid, and the recompense it would receive was from the work done. If one sales department failed in its job, and if I happened to be a member of that sales department, I would be writing my resignation as fast as I could.

Q. There would not be any advantage in one sales department of one organization carrying competition to the extent that it would take business away from the other organization, and depriving the other organization of profit. Where is the advantage? A. Competition is the striving of individuals 2451
to secure anything at about the same time. These people were in competition and striving to secure business, regardless of where they secured it, provided the credit was good.

Q. I can't follow you to the point where it would take business from the other divisions. I can't follow you on that. A. That is true. If you were a salesman of either division, and you represented in any given territory, and you had against you a

2452 salesman—say you were the Hart & Hegeman salesman—and you had against you the Arrow salesman, and you sat down and let him have that, where would the result of your sales effort be inside of a year? He would have every one of them and you would have none.

Q. That might be true on business which that man wasn't getting, but you know the situation as well as I do in this industry. Jobbers have testified that a jobber pushes a certain line, and the evidence shows that the Arrow salesmen do not call on
2453 Hart & Hegeman jobbers, and vice versa? A. That is true.

Q. Here is the Hart & Hegeman line. They push the Hart & Hegeman and make it more valuable all the time. It seems to me that the common sense and logical conclusion would be to push Hart & Hegeman where you can push it and Arrow where you can, but don't take it away from each other. That I can't understand. A. You brought up the occasion of the Arrow distributor being very seldom called on by the Hart & Hegeman distributor—

Q. Salesman. A. Salesman. If you had gone further you would have found out that that same
2454 Arrow distributor is very seldom called on by a Bryant salesman or Hubbell salesman or a G. E. salesman. In the setting up of any individual locality you try to have as many distributors there that can properly cover the territory. For example, let us take the territory of Springfield, where two distributors have formerly testified. We have there an Arrow distributor and we have there a Hart & Hegeman distributor. Our men created—our advertising and everything—a demand for our material.

Q. Both divisions, for both divisions? A. And if we placed another Hart & Hegeman distributor in that town we lose the support of the Charles E. Hayes Company immediately, because we have split his possible market possibly in half, or taken some of it away, and he would then prefer to handle some other line whereby he would not have this other fellow competing with him all the time, and where he could really cover the territory, and where he got sufficient quantity of business out of it to be worth while. A great many of our distributors, if we put in another distributor, or two or three more, 2456 we would possibly lose more business than we could secure. Now, the competition among our salesmen is creating the demand in the field with the contractor, and a preference for their particular brands, which demand goes back to their distributor.

Q. How is that competition going to be substantial when it is the same articles? A. Well, the labels are well known, they believe today in Hart & Hegeman switches, and they believe today in Arrow sockets. Although the Arrow has a switch line today, it is not held in the same position as the Hart & Hegeman switch line. The reverse is true 2457 with the socket line. In going out among the contractors the salesman is there with the idea of selling his commodity to that contractor. The reverse is true.

Q. But the contractor can't get out of his head that when he is buying Arrow he is buying Hart & Hegeman and when he is buying Hart & Hegeman he is buying Arrow? A. Yes.

Q. How can they? A. They are not the same stock. You were testified to by a jobber from New-

ark that he had to give up the Arrow because he couldn't have it sold, because the demand was for H. & H. There was a demand for it.

Q. There was testimony both ways. If I was an electrical contractor, it wouldn't make any difference except the personality of the salesman where I wanted to throw my business? A. A part of competition is personality.

Q. A part of it, yes. A. You see, a great deal of the selling is personality right straight through.

Q. It is one element, but the quality and price
2459 and terms and credit are also elements. A. Absolutely.

Q. And the point I am trying to get clear on, and get your ideas on, is as to what there is left in competition after those things have been taken out. A. In the first place, prices and terms remain the same, as has been testified to you a number of times. At the present time you will admit personality enters into competition. Now, it is a question of quality entering into it, and you have had testimony from one jobber, and I haven't heard any other jobber tell you, that the material is the same. It is our belief and our contention that the trade at large
2460 goes by the brands. They know that the Arrow Company has a good brand of material today, and that the Hart & Hegeman Company has a good brand of material today. They don't know that possibly they are made in the same factory. They know that the two have combined.

Q. That trade letter, of course, Mr. Cook, carried the idea to your distributors, that they would be made, and that economies would result, and they would understand? A. Yes, certain parts.

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Q. In your direct testimony you referred and identified a number of articles and devices which you described as illustrative of economies that resulted from the merging of the two organizations, referring to the reduction in price and also, in some instances, to an increase of quality. To determine whether there had been economies resulting from merging the two organizations, what factors would have to be taken into consideration? A. Could you explain that a little further?

Q. How would you determine whether you had made a saving or improved your quality as a result of the merger? A. This is after the period when the merger took place?

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Q. I am talking after October, 1927. A. In the first place, I think I testified yesterday, starting in 1927, why the Hart & Hegeman Company could purchase from the Arrow Company sockets which they were manufacturing, at a lower price.

Q. How could you say that was brought about by the merger? A. Because I formerly testified here that until that time we did not dare to put our socket business with anybody else, if we were to have a doubtful source of supply, and it gave to the Arrow Division, as far as economy is concerned, probably 50 per cent. more sockets than they were formerly manufacturing.

2463

Q. In other words, the Arrow Division profited by it because they could increase their production and have a smaller unit cost? A. Yes, and also the Hart & Hegeman Company, because the Hart & Hegeman were purchasing sockets at a discount from the Arrow.

Q. Mr. Grier testified that that could have been brought about without any acquisition of stock, without any merger. They were just like two inde-

pendent companies doing business. As a matter of fact, they manufacture for others. A. Yes.

Q. The main thing growing out of the acquisition of the stock, and which was distinctive, would be the creating of a source of supply and giving you control over it? A. But they were both controlled by the same organization, and most assuredly that organization was interested that both companies were properly run, and most assuredly that organization would have seen that one sold to the other out of a definite source of supply.

2465 Q. And isn't it true, and a correct conclusion from the testimony you have given, and from your knowledge of the industry, to say that a definite source of supply of a satisfactory material is as vital to the sales organization as any other factor? A. Absolutely.

Q. You can't hope to compete with outside organizations unless you have some advantage along that line? A. A definite source of supply is absolutely necessary to properly compete with the field, because you could never give proper service.

Q. In other words, you can't draw a line of demarcation between production and sales and say
2466 that this economy can only benefit the production end and have no effect on the sales end? Any economy— A. Any economy in production would be shown in dollars and cents saving; any advantage in sales would be to allow one organization to more readily compete in the field.

Q. Would you say that would be the main purpose of bringing about all these various economies that you have described, to enable the organization —that— A. That is one of the purposes, but it is not necessarily the main purpose. There may be four or five others.

Q. You would not say it was the main purpose? A. No, there are four or five purposes in making an economy. The first thing you look for, as I have testified before, is how much more economically a thing can be manufactured, and also in the perfecting of an article, where it is a better article, and still make an economy. It is creating a greater demand for your article, whatever it is you are manufacturing, among the users of the material.

Q. Now, going back to the various exhibits that you have described yesterday. The figures which you read into the record all had to do with the sale price. Now, in determining the question of economy, isn't it proper to compare the cost price before and after a certain period of time to determine whether there had been an increased sale or an economy, or not? A. In many of these articles economies have existed and have taken place, and that has allowed us to be able to lower our price. In a great many instances we have lowered our price to reach a proper market so as to increase our sales, and thus increase our production and our profits. 2468

Q. If you were to measure the extent of an economy in any division or in the manufacturing of any article, wouldn't you determine whether your cost had increased or decreased? A. We generally determine the cost of a given article and the profit on a given article in the lump sum. I mean we can make a thousand of these switches and probably make ten cents a piece, and in that way make $100. If we make our price a nickel a piece and sell 10,000, we make $500., and that is the way we figure in most of these reductions in prices, to get our manufacturing facility so as to produce it lower, either in actually saving in labor and material ex- 2469

pended, or by increasing the volume of sale so that we can produce it at that lower price and still make as much, if not more money.

Q. The point I am trying to get at is, in determining that you have realized an economy in production as a result of anything you wish it to result from, don't you first have to find out what your cost of production is and compare it with your former cost of production? A. Yes.

Q. That being true, how can I or the Commission or anyone reading your testimony of yesterday, determine the comparative costs of these articles before and after the so-called economies were put into effect?

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Mr. Gross: They weren't offered for that purpose, Mr. Examiner. It was offered for the purpose of showing the benefit to the public.

Mr. Haycraft: Are you objecting to my question?

Mr. Gross: He said it was to show the reduced cost on the separate articles.

Mr. Haycraft: I would like to have an answer to my question unless it is objected to.

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Mr. Gross: I want to put on the record the purpose for which it is offered.

(The last question was read by the reporter.)

A. You can only determine by getting the costs before and afterward.

Q. These articles described in your testimony yesterday are sold in competition with other manufacturers? A. Most of them are.

Q. Will you make an exception as to those that are not? A. Practically starting in with Exhibits 25 to 28.

Q. The panelboard switches and the U-shaped lever switch? A. That is right. There is practically no competition on this type of switch. Other manufacturers are attempting to compete with this material with a much inferior article, but we don't consider it very serious.

Q. So inferior that you do not take it into consideration? A. So inferior that we haven't taken it into consideration. Our prices are higher to the inferior article which they offer. A great number of times we have been the people to lower the price, not entirely to meet competitive conditions, but very often to help our users, to do our share in helping them in meeting competition. 2474

By Mr. Gross:

Q. And procure a larger volume? A. Yes, of course.

By Mr. Haycraft:

Q. You don't want us to believe that you are an eleemosynary institution? A. Oh, absolutely not.

Q. Taking up the first items of sockets that you described yesterday, when you testified with respect to the changes that were made. I will ask you upon whose initiative and whose ingenuity those changes were developed? A. You mean in the construction? 2475

Q. Yes. A. The changes that have been made on the sockets under consideration have not been very extensive. There have been changes—minor changes in perfecting the mechanism on the key and pull sockets, but really what small changes have taken place have been in the economy of manufacturing the parts for the sockets and the economy in mold-

ing the porcelain for the sockets, that is, on their brass shell sockets. When we come to the pull chain sockets, the new and the old, there great strides were made in the economy of manufacture and perfecting the quality, and this was done by Mr. Guett and Mr. Nero, this construction.

Q. Mr. Guett being the— A. The engineer in chief of the Hart & Hegeman Company formerly, and Mr. Nero being an Arrow engineer.

Q. Now, will you describe just what connection the so-called merger had to do with the bringing
2477 about of those economies?

Mr. Gross: Just a moment. I ask that the question be revamped so that counsel for the Commission will use words that do not call for a conclusion of law as to what a merger is, whether under Connecticut law or the Federal Trade Commission Act.

Examiner Reeves: The objection is sustained.

Mr. Haycraft: Exception, please.

Q. I notice that in your testimony you gave figures as to the prices that you received for those articles in October, 1927. From what source
2478 did you obtain those figures? A. From my price cards at that time.

Q. Are they available? A. They are.

Q. I should like to have you produce your price cards or lists of your catalog articles on October, 1927, January, 1929, and June, 1931. A. They are all in evidence at the present time, until we get down to the line of asterisks, and they will have to be accumulated.

BY MR. GROSS:

Q. Beginning with Exhibit No. 20-A. A. Yes.

(Discussion off the record.)

BY MR. HAYCRAFT:

Q. You mean, Mr. Cook, that you have read into the record the prices of all the sockets that you have described? A. Yes.

Q. In your testimony yesterday you stated, I believe, that these various articles you referred to were 2480
manufactured in what is known as mass production, and that the figures that you have given and the items you described were illustrative of economies that were realized in mass production of other or smaller articles, is that correct? A. Why, a good number of these articles are manufactured by mass production, and the only reason we brought the mass production item forward is that economies realized in the smaller production items could never be as great, in our estimation, in dollars and cents, or in what we could offer to the public as it was in the most popular items. In other words, we have tried to bring forward items that the public used 2481
to a greater extent, rather than go around and pick out a little user of the commodity and very small insignificant sale.

Q. What percentage would you say were the items that you have described here is of the total number of items that are manufactured in this mass production? A. I can't give you the exact percentage. Anything I might say would only be a hazard or an estimation.

2482 *John R. Cook—Recalled—Cross.*

Q. Yes. A. I would say they would easily represent—themselves plus the variations of them that would have the same scale of price reductions—would easily represent 50 to 60 per cent. of our entire sales.

(Discussion off the record.)

Q. Take these sockets. Would that be true—would that be about 50 per cent. of the sales of sockets? A. I imagine in the sockets it would be about 75 per cent.

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Q. Does your testimony have reference to both divisions? A. To both divisions, yes.

Q. And the economies you are describing, in other words, would be reflected in both divisions? A. They would be, as of today.

Q. How many of these socket items that you have described here were manufactured by the old Arrow Company before 1927? A. All of them.

Q. How many were being manufactured in mass production by the Arrow Electric Company prior to October, 1927? A. Practically all of them.

Q. Would you say that the reduction in price would result from the increased production, and thereby cutting down the unit costs of these items?

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A. I would.

Q. Taking up the next schedule, P, the plug and receptacle items. What percentage of your total sales of that type of items are represented by these four items? A. If I should put in the single receptacle with these four items, it would amount to at least 75 to 80 per cent. of schedule P.

Q. Were those plugs manufactured by the Arrow prior to October, 1927? A. Yes.

Q. And in mass production? A. Yes.

Q. And your answer would be the same with respect to these plugs as it was with respect to the sockets? A. It would.

Q. Taking up the plates and bull's eyes, Schedule H. A. Yes.

Q. What percentage would you say those items were of your total sales? A. Of Schedule H?

Q. Yes. Plus the plates in Schedule H they would represent 60 to 70 per cent. of the total schedule, if not greater.

Q. I am referring to Exhibits 13-A, 13-B, 14-A, 14-B, and 18-A and 18-B. A. That is correct. I might add there that we would have to include our brass plates with the bakelite. Now, on brass plates there have been no quality improvements, but there has been a mass production improvement on them. 2486

Q. Were these manufactured by the Arrow Company prior to October, 1927? A. I don't think they were by the Arrow Electric Company. These exhibits 13-A and 14-A and 14-B, the plates, were manufactured by the Arrow Electric Company in brass, but they gave them up because their methods of production were very expensive, and they bought the plates from the Hart & Hegeman Company. The bakelite plates were purchased outside by the Hart & Hegeman Company, who in turn bought them, when the Arrow started to make them, from the Arrow Electric Company. 2487

Q. In other words, after October, 1927, what happened with respect to these plates, the Arrow discontinued to make the brass plates? A. That is correct.

Q. And purchased from the Hart & Hegeman Company? A. And also the bakelite. Arrow started to make bakelite. They had been purchasing that formerly from the Reynolds Company, and the

2488 *John R. Cook—Recalled—Cross.*

Hart & Hegeman had been purchasing their plates from Hoosick Falls, and the Arrow decided to make a bakelite plate, and plus the sales of the Hart & Hegeman we were able to equip a plant with dies and molds in order to make our own plates.

Q. That would be one item that you had really started yourself, in your own organization, that is, the manufacture? A. No, the bull's eye.

Q. I meant the bull's eye. A. Yes. The bull's eyes were purchased from the outside, an outside company, and we improved them and started to
2489 build them ourselves.

Q. Going down to Schedule S material, the tumbler switches and canopy switches, down to Exhibits 15 to 17. What percentage of that type of material is Schedule S material? A. I would say that Schedule S material—leaving out the heater switches, that would represent between 60 and 70 per cent. of the sales.

Q. Were those switches made by the Hart & Hegeman Manufacturing Company in mass production before October, 1927? A. Some of them were and some were not.

Q. Which of them were not? A. Exhibit 15-A
2490 type switch was made in mass production before that time by the Hart & Hegeman. 16-B was made by the Arrow Electric Company, but not in mass production. Exhibits Nos. 20-A, 20-B, 21, 22-A, 23-A, 23-B, 24-A, 24-B, 26-A, 26-B, 26-C, 27-A and 27-B were in mass production.

Q. By Hart & Hegeman? A. By Hart & Hegeman. Those that I have eliminated were small items. I might say that they became larger in volume afterwards.

Q. Now, wherein were you able to bring about economies in the production of those items after

October, 1927? A. If we were setting up machinery blanks, for parts of these switches, the setting-up charges were just about the same, whether we were going to make 500,000 parts or 1,000,000 parts. We come to the next operation, the assembling, and if we can add another 10,000 articles a day to the 10,000 already produced on the same bench, we can very much lower our overhead in both instances. Further than this, when we are able to produce material in a larger volume it then becomes economical to design machinery that will do a great many operations that formerly had been done by hand, 2492 automatically. That is the answer to that.

Q. Now then, where did you secure your increased sales which enabled you to bring about these economies in these items in mass production? A. We secured our increased sales from the fact that in the period of the first respondent Arrow secured their sales immediately by taking over of the making of Hart & Hegeman sockets.

Q. I am talking about switches. A. Oh, we secured our increased sales on these switches by the fact that certain numbers of these switches were made for Arrow, but the greater percentage of the increased sales on switches was due to increasing 2493 our market and the usage of the switches by lowering the prices, securing a larger volume; and we secured economies by economy in design.

Q. Was Mr. Guett the one who brought that about? A. Yes.

Q. During that 15-months period, from October, 1927, to January, 1929, what volume of switches did you make for the Arrow? A. 1927 to 1929?

Q. Yes. A. We manufactured very few, if any, for Arrow.

2494 *John R. Cook—Recalled—Cross.*

Q. Then how do you trace your economies to the acquisition of the stock of the two companies by the old respondent? A. In the manufacturing?

Q. Yes, economies in that Schedule S material in that time. A. We can trace our economies to economies in—I don't think we can trace the economies on switches, other than the interchange of ideas with the engineering department, due to any holding company, perhaps, in 1927.

Q. All right. Then take the latter period. A. In the latter period we can trace our economies on
2495 switches due to the fact that some of them were made for the Arrow Electric Company.

Q. Increasing your production? A. Yes. We can also trace the combination departments, the planning, screw-machine, and screw-making departments, to a number of economies that I mentioned here in the beginning. Now, the reason we could not realize during the period of the first respondent on economies on switches, due to the ownership of the stock of both companies, was that any plans that we had that would effect economies on switches for this reason were of such scope that it would take a period of a year or two years, even
2496 longer, to put them into effect.

Q. I show you Respondent's Exhibit 11-B, and ask you if that is the attachment plug item that you testified on direct examination as bearing the Arrow-H. & H. trademark? A. It is.

Q. Is it correct to say that this trademark is not only on the contact, but also on the fibre washer on the plug? A. It is.

Q. I also ask you whether or not this particular plug does not have the finding groove which is peculiar to your organization? A. It does.

Q. Isn't that an advantage which distinguishes this plug from its competitive plugs and makes it very much sought after? A. We think it is a selling point and an advantage. However, our competitors have finding grooves of some types.

Q. How long did you say that was on the market? A. I should say a year and a half.

Q. And how are the sales as compared with the plugs that preceded it? A. About the same.

Q. As 11-A? A. Yes.

Q. In point of volume, could you check up on that and find out whether they increased or decreased over the same period of time? 2498 I can. We are still selling 11-A.

Q. The other item you described before is not in evidence, is it? A. No, but I can put one in. I have one here.

(Discussion off the record.)

Q. Now, referring to Respondent's Exhibit 29, the minutes of the stockholders and the Board of Directors of the H. & H. Electric Company, which you have identified, just what did you do or just what did you have to do with the transactions that were represented by that exhibit? A. I was a direc- 2499 tor of the company, and I was secretary of the company, and all transactions were brought to the directors' meeting and voted on, and, being present, I voted.

Q. What was the purpose? A. It was in the general plan of reorganization.

Q. How long was it in existence? A. I would say about a month.

(Discussion off the record.)

2500 *Thomas A. Inch—Direct.*

Q. Who prepared these minutes, Mr. Cook? A. I did, at the direction of the Board of Directors, acting as secretary.

Q. Do you mean by that that you dictated the minutes or signed them? A. I with the help of Mr. Williams. He was president of the company at that time.

Q. Mr. Williams? A. Yes.

Q. Was it done pursuant to and with the advice of counsel? A. It was.

2501 Mr. Haycraft: I think that is all.

Mr. Gross: That is all.

THOMAS A. INCH, was thereupon called as a witness, and having been first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. GROSS:

Q. Will you give your name? A. Thomas A. Inch.

Q. And you live where? A. Hartford, Connecti-
2502 cut.

Q. Prior to coming to Hartford, what was your business? A. I was for seven years with a leading firm of public accountants in New York City.

Q. And during that time, were you designated by them in connection with audits of the Hart & Hegeman books, amongst others? A. Yes.

Q. How long were you on those Hart & Hegeman books—what years before you came to Hartford? A. I went over them for the years 1925, 1926 and 1927.

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Q. That is, you were one of the supervising seniors of the people that did the work for this firm? A. I was a supervising senior.

Q. When did you come to Hartford? A. March, 1928.

Q. What did you become when you came to Hartford? A. I was comptroller of the Arrow Electric Company.

Q. How long did you continue as comptroller of the Arrow Electric Company? A. I continued until December 31, 1928, when I was appointed comptroller of the Arrow-Hart & Hegeman Electric Company.

2504

Q. And then, after being comptroller of the Arrow-Hart & Hegeman Electric Company, what did you become? A. Treasurer—or, rather, assistant treasurer of the same. I was appointed assistant treasurer.

Q. And later became treasurer? And on March 18, 1930, I became treasurer, in which capacity I have remained up to this day.

Q. Now, you came to Hartford in 1928. What were your duties in becoming comptroller of the Arrow Electric Company? That was in the period of the holding company. A. At that time Mr. Ten-Eyck was in full charge of the accounting and records of the Arrow Electric Company. He was in failing health, and I took over the management of all the financial records of the Arrow Electric Company for him.

2505

Q. Was it a part of your duty soon after coming to Hartford to coordinate the systems of bookkeeping and records of that nature between the Arrow and the Hart & Hegeman Companies? A. Yes.

Q. Have you at our request gotten out the comparative figures to show the economies accomplished

2506 *Thomas A. Inch- Direct.*

during the period of the holding company and into the period of the merged company as reflected in the profits in the face of the lower profits based on the statements for 1927, 1928 and 1929? A. I have.

Q. Will you give us those figures for those years? May I ask first who prepared the Arrow figures for 1927? Who made the audit of the Arrow for 1927? A. The books of the Arrow Electric Company for 1927 were audited by Messrs. Haskins and Sells, a leading firm of accountants of New York City.

Q. Who made the audit of the Hart & Hegeman Company—perhaps you testified that your firm
2507 made the audit of the Hart & Hegeman books for 1927? A. Yes.

Q. And who audited the books of both the Arrow Electric Company and the Hart & Hegeman Manufacturing Company for the year 1928? A. Messrs. Lybrand, Ross Brothers & Montgomery, also a leading firm of accountants of New York City.

Q. Who made the audit of the new respondent, the Arrow-Hart & Hegeman Electric Company, for the year 1929? A. Messrs. Lybrand, Ross Brothers & Montgomery.

Q. Do I understand that the figures, these com-
2508 parative figures are based on these audit statements of theirs? A. Yes.

Q. Will you give us, then, these figures?

Mr. Hayeraft: That is objected to as incompetent, irrelevant and immaterial to the issues in this case.

Mr. Gross: I thought my learned friend was trying to gather what the economies were and how they were reflected. I want to show the figures, as well as the profits and the economies as reflected in those financial statements

for those three years, which are the three years involved.

Mr. Haycraft: I have objected regularly, perhaps not strenuously, to bringing that out by counsel for the respondent with respect to this phase of the defense. The mere fact that I was thorough in my cross examination of respondent witnesses in respect to this matter does not mean I am at all giving up my rights and objections that I made in the beginning of the examination.

Examiner Reeves: The objection is overruled. 2510

Mr. Haycraft: Exception.

(The last question was read by the reporter.)

A. I would like to deal with the three years of 1927, 1928 and 1929. The holding company was formed towards the end of 1927. The total net sales in 1927 were $8,386,000.

Q. Meaning the aggregate sales of the two companies? A. Of the two companies. The manufacturing cost of the goods sold in the year 1927 was $5,709,000, showing a manufacturing profit of 31 per cent. 2511

The net sales in the year 1928 were $7,915,000, and the manufacturing cost of these sales was $5,219,000, showing a gross profit of 34 per cent.

The net sales in 1929 were $8,183,000. The manufacturing cost of these sales was $5,318,000, showing a manufacturing profit of 35 per cent.

In the year 1928 the fall in prices, due to market conditions, gave us a loss in sales revenue of $500,000. In the year 1929 the loss in the revenue from the fall in prices was $600,000. It will be

2512 readily seen, therefore, that we made a higher manufacturing profit in the face of lower prices due to market conditions.

Q. Which is referable to economies? A. I would like to continue on that a little more.

Q. Yes. A. The prices of materials rose steadily between 1927 and 1929.

Q. You mean the raw materials? A. Yes. Copper, which is used largely in the form of brass, rose from 13.24 cents a pound, in October, 1927, to 21.38 cents a pound in 1929. Certain fixed charges of
2513 the companies increased due to high depreciation caused by expansion, to higher local taxes, and other factors over which we had no control.

The additional manufacturing profit, therefore, was made in the face of increased material costs and increased fixed charges, proving, in my opinion, that this additional profit was derived from economy of manufacture.

Mr. Gross: You may inquire.

CROSS EXAMINATION BY MR. HAYCRAFT:

2514 Q. Why did you not include the year 1930 in your study? A. Because, owing to the severe depression, which commenced in October, 1929, manufacturing conditions were very much abnormal, due to a heavy drop in the volume.

Q. Do you know whether or not your manufacturing profit would maintain the ratio that it did in the preceding years during that year? A. It would have been maintained if we eliminated the tremendous amount of idle equipment, due to fall in production.

Q. But you could not do that very well, could you? A. We could make an estimate of it.

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Q. What would your estimate be if you included that? A. If we included idle space as part of the cost of manufacturing, it would have gone up.

Q. In your items you mentioned due to expansion. What do you mean by that? A. High depreciation due—in the first place, we built this office to take care of the Hart & Hegeman forces. Of course, we had heavy charges in the bakelite plant, and certain changes made in our Washington plant.

Q. Have you got any idea about how much that item would amount to? A. I should estimate the depreciation charges increased from about $270,000 a year in 1927 to about $300,000 a year in 1929.

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Q. Have you made any study of the same ratio, of the same items of the two operating companies before the stock acquisition, or in the period of 1924, 1925, and 1926? A. As regards the cost of manufacture?

Q. Yes. A. I had the same figure back to 1925.

Q. For both companies? A. Using them as one company.

Q. As one company? A. Combining the figures.

Q. Combining the figures? A. Yes.

Q. Will you give those for the record? A. The combined sales in 1925 of the Arrow Electric Company and the Hart & Hegeman Manufacturing Company, 1925, were $8,634,000. The manufacturing cost of the goods sold in that year was $5,723,000, showing a manufacturing profit of 33 per cent. The combined sales of the Arrow Electric Company and the Hart & Hegeman Manufacturing Company in 1926 were $8,165,000, and a manufacturing cost of these sales of $5,479,000, showing a manufacturing profit of 32 per cent.

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Q. Can you give the same figures for the separate companies? A. I haven't got them available, but I can prepare them.

2518 *Thomas A. Inch—Cross.*

Q. I should like to have those separate, for those two years.

Mr. Gross: The figures for the Hart & Hegeman Manufacturing Company, in each case including the Paiste figures, both.

The Witness: Yes.

Mr. Gross: And likewise, in each case, the Arrow Company, that would include their porcelain plant, if it was operating.

The Witness: Yes.

2519 Q. In your figures for 1927, 1928 and 1929, how did those figures reflect the physical properties located in Philadelphia and in New Jersey that were given up and not being used? A. Of course the Paiste plant was running practically up to October, 1927, and then it was shut down. Any shut-down expenses incurred were included.

Q. What was done with the plant there? A. The Paiste plant was rented piecemeal as we could rent it, a part of a floor here and a part of a floor there, and today most of the building is rented, and the income covers about the shut-down expenses.

Q. Is that true over in New Jersey? A. Yes, 2520 that is the same. That was rented to the Whitehead Pottery Company, and also the rental received covers the shut-down expenses.

Q. During that period of time both of those plants were not all rented? A. No.

Q. Wasn't the maintenance included here in the figures in determining the sales cost? A. I don't think they were. I think they were treated as separate.

Q. What did that amount to? A. In 1928 the maintenance of the shut-down factory in Philadelphia, net income, of rentals, was $29,412.

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Q. That is the cost over and above the rental? A. Yes. With regard to the electric porcelain plant in Trenton, that did not discontinue manufacture until about September, 1928, and these expenses were not being segregated, but they have been included in the cost of manufacture.

Q. How about 1929? A. The shut-down expense of the Paiste plant in 1927 was $14,998. over and above the rentals received. The shut-down expense of the Trenton plant for 1929 was $1,373 in excess of the rentals received.

2522

Q. What was the percentage of the net profit realized in 1927, 1928 and 1929? A. The net profit in 1927 was 10 per cent. of the net sales. In 1928 it was 15 per cent. of the net sales. In 1929 it was 16 per cent. of the net sales.

Q. What was the net profit in 1925 and 1926? A. In 1925 it was 15 per cent. of the net sales, and in 1926 it was 13 per cent. of the net sales.

Q. In making up this statement that I requested you to make with respect to 1925 and 1926, would you be able to give me the net of each? A. Yes, surely.

2523

Q. How do you account for the reduced net profits in 1927 as compared with the other years in your study, as compared with the preceding years? A. In the first place, the manufacturing or gross profit came down from 33 per cent. in 1925 to 32 per cent. in 1926, to 31 per cent. in 1927. Presumably, although I can't verify it at this moment, it was probably due to heavy expense in 1927 in connection with the formation of the holding company, with the attendant legal fees and auditing expense.

2524 *Thomas A. Inch—Redirect.*

Mr. Haycraft: I think that is all.

Examiner Reeves: The hearing will be adjourned to 2:30 P. M.

(Whereupon, at 1:30 P. M. an adjournment was taken to 2:30 P. M.)

AFTER ADJOURNMENT—2:30 P. M.

THOMAS A. INCH, resumed.

2525 REDIRECT EXAMINATION BY MR. GROSS:

Q. Mr. Inch, I neglected to ask you before when you were speaking with reference to the fact that raw material went up, as I recall it, what was the relative change, if any, in the basic price of labor for that period? A. Labor remained about the same throughout that period, with a slight increase, if anything.

Q. Taking these figures which you gave this morning, what are the figures of the economies of saving in dollars realized by the economies which you testified to? A. I would like to refer in that
2526 regard to Mr. Cook's testimony yesterday. He gave testimony with regard to certain economies, and I would like to supplement him. We have here, I think I can safely say, a very modern, up-to-date accounting system, which has been highly approved by at least one leading firm of accountants; one complete and modern cost department, and we have spent a lot of money on our accounting. Of course, a proposed economy might originate anywhere: with the president or with any of the officials, and when an economy is proposed, it is handled by Mr.

Ten Eyck. He is a man of vast factory accounting experience, and he makes a full study of each of these economies. In conjunction with our cost department, these figures are reviewed by myself, and if it is a factory economy, with the factory superintendent, and we estimate the economy, and if we are satisfied that that economy does result in a saving we put it into effect. I would like to give you some figures with regard to those economies that Mr. Cook touched on yesterday. 2527

The first one is the closing down of the Paiste plant. I won't go into details, but we estimated the minimum saving by the closing down of the Paiste plant and making all the Paiste material in this factory was $300,000 a year. 2528

The next one was the introduction of the new tumbler switch. The saving as estimated by the economy committee, I will call it, in that case, was $35,000 a year. As a matter of fact, in that connection we estimated a new manufacturing cost on this switch, and when we got the actual cost a few months later, the difference was only 40 cents per 1,000.

Q. Between the estimate and the actual? A. Yes. I think Mr. Cook touched on the manufacture of paper boxes. That gave us an economy of $18,000 a year. The combining of the automatic screw machine department gave us an economy of $18,000 a year. 2529

Q. The same as on paper boxes? A. $18,000 a year, also, yes.

The introduction of machinery that would print and fill envelopes with screws, which Mr. Cook touched on, gave us an economy of $11,000 a year.

The introduction into this factory of what was referred to yesterday as the Guett screw-driver, for

2530 putting the screws into the screw parts, gave us an economy of $20,000 a year.

We brought together our trucking facilities and we made a saving there estimated at $5,000 a year.

We were able to obtain better rates on insurance by using blanket policies covering all plants and by changing our agent's ratings somewhat, which gave us $8,000 a year.

On January 1, 1929, which was the day when the merged company began business, we unified our accounting. While the holding company was in
2531 existence we had completely separate sets of books and records. When the merged companies began operations we combined our general account into one unit.

Q. In one office? A. In one office and one set of books and one set of subsidiary records, and we made a saving there at the rate of about $30,000, which of course would not have been possible in the days when the two companies were separate.

Those are the major items which we can definitely identify, but I believe there are much larger intangible savings that we can't give you the figures on in dollars and cents.

2532 Q. Are those figures adducible from the table that you gave us this morning? In other words, are they reflected in that statement of manufacturing costs and profits? A. Yes. For instance, I showed here commencing with the year 1927 our ratio of manufacturing profit to sale. That was influenced by a very heavy fall in the market. If you were to re-state the 1928 and 1929 sales on the basis of the prices prevailing in 1927 your ratio of manufacturing profit would have shown a very, very heavy increase, and, as I stated before, material went up, labor went up slightly, fixed charges over which we

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had no control went up somewhat; therefore, there is no doubt whatever but that the saving must have come in economy of methods, economy in labor and in design.

(Discussion off the record.)

Q. Have you the total combined selling expense of the two companies or the two divisions, as the case may be, with the ratio to the aggregate domestic sales of the two companies or two divisions? A. Yes, I have.

2534

Q. Will you read them into the record? A. In 1928 the combined domestic selling expense was $550,004; the ratio to combined domestic sales 7.36.

1927, combined domestic selling expense $566,741; ratio to combined domestic sales 8.14.

1928, combined domestic selling expense $594,000; ratio to combined domestic sales 8.14.

1929, combined domestic selling expense $688,000; ratio to combined domestic sales 9.03.

1930, combined domestic selling expense $681,000; ratio to combined domestic sales 11.45.

Mr. Gross: You may inquire.

2535

RECROSS EXAMINATION BY MR. HAYCRAFT:

Q. I notice that in referring to various economies that have been made, there is no mention made of the consolidation of the sales offices. Was there any economy realized from that? A. You are referring to the period before—

Q. I am referring to the period of this last year when the consolidation of the sales executives took place. A. There is possibly a very slight economy

2536 *Thomas A. Inch—Recross.*

due to the saving in rental, but otherwise I know of no economy.

Q. In salaries; where you had two sales managers and now you have one. A. I understood you had already taken that into account; that it was granted that there was a saving there.

Q. There was some saving in the consolidation both in salaries and rents? A. Yes.

By Mr. Gross:

2537 Q. Beginning with 1930?

Mr. Haycraft: Yes.

By Mr. Haycraft:

Q. Taking up your saving of $300,000 with regard to the Paiste plant, will you give us the details on that? A. The Paiste Company sales to their then parent company, the Hart & Hegeman Manufacturing Company—

Q. When? A (continuing)—for the years 1925, 1926 and 1927, were approximately $4,200,000.

Q. Each year? A. No, for the three years. The
2538 total approximately, I better say. The Paiste books showed a net profit for those three years; that is, a total profit for those years of $65,000. However, when the manufacture of the Paiste line was transferred to the Arrow plant in Hartford we found it was necessary to write off something over $60,000 for obsolete material and obsolete dies and tools which they themselves had omitted to write off in past years.

If we assume, therefore, that they should have written off these obsolete materials, obsolete dies

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over this period of three years it means that they would have no profit at all for those three years.

Q. May I ask right there: How did the price at which they sold to the Hart & Hegeman in 1925, 1926 and 1927, compare with the sales of the Arrow in later years? How was that price fixed? A. I can't answer that. It was before my time. I will have to find out.

Q. That would have some reflection? A. That would have, yes.

Q. I would like to have you investigate that and see how it compared. A. Yes, I will. I will take the main items.

2540

Q. Yes, the main items. Go ahead. A. In the year 1929 the sales made by Arrow to Hart & Hegeman Manufacturing Company of Paiste material—

Q. Are we skipping 1928? A. I have the volume for 1928, but I did not make the investigation. The sales in 1928 made by the Arrow Company of Paiste material to the Hart & Hegeman Company were $1,044,000.

The sales made by Arrow to Hart & Hegeman of Paiste material in 1929 were $1,127,000.

In the year 1929 we kept detailed workouts of these sales, and the cost of manufacturing these sales by Arrow, and we found a profit of $307,000.

2541

By Mr. Gross:

Q. To Arrow? A. To Arrow.

By Mr. Haycraft:

Q. Now— A. (continuing) The difference between the manufacturing cost of Arrow and the price at which they sold the goods to Hart & Hegeman.

2542 *Thomas A. Inch—Recross.*

Q. Now, how did that compare with the cost price? What was the basis? A. As far as I recollect, those sales of Paiste material to Hart & Hegeman were billed at 6 per cent. less than the best distributors' prices.

Q. This 6 per cent. of it Hart & Hegeman got for selling it to distributors? A. Yes. In computing the cost we took the total manufacturing cost, including direct labor, material, and factory overhead, and the difference was this $307,000.

Q. And that is what you estimate, then, in saying it is $307,000? That is what you assume it was in 1928? A. We knew what they made in 1929, but we haven't got it for 1928; so that figure represents about 27 per cent. manufacturing profits; if you applied that back to 1928, assuming the same conditions, they would have made $282,000.

Q. From your experiences in studies of this kind, would you think it would be fair to assume that they made about the same in 1928 as they did in 1929, taking into account the necessary changes that would have to be made? A. Well, they would have to get under way.

Q. In other words, 1929 began to show better profit than 1928? A. Yes.

Q. I notice no mention was made of any profit in the transfer of the Washington-New Jersey plant. Was there a loss sustained there? A. Yes, there was a loss immediately after the transfer, due to gross mismanagement of the Washington manager, who was discharged.

Q. Do you know what it amounted to? A. The sales of the electric porcelain and manufacturing company for three years, 1925, 1926 and 1927—

Q. In the aggregate. A. In the aggregate totalled $1,088,000 worth of porcelain. The sales of the

Washington Porcelain Company for the same period totalled $1,244,000.

Q. That is the total sales of the Arrow plant during the same period of time? A. Yes.

Q. What happened in 1928? A. The transfer took place in September.

Q. Just what profits were realized in Trenton in 1925, 1926 and 1927? A. The Trenton sales for those three years showed a profit for the three years of $47,000.

The sales of the Washington Porcelain Company for the same three years totalled $170,000, or approximately four times as much. 2546

In 1928 Trenton showed a profit of $2,000. That is, on account of the fact that their sales ceased in September, but the shut-down expenses were carried on throughout the year and deducted from any profit which they might have had.

The Washington plant showed a profit for 1928 of $86,000.

Q. How about 1929? A. 1929 is an unfortunate year. The Washington plant showed a loss of $24,000. I would like to enlarge on that a little bit and explain it. When the Trenton plant was closed down, the manager of the Trenton plant was transferred to Washington. 2547

Q. You mean the one who had been running the Trenton plant? A. The one who had been running the Trenton plant, yes.

Mr. Gross: Not as manager?

The Witness: Not as manager, but as assistant manager, and the then manager of the Washington plant apparently did not care for the move, and began to put obstacles in the way of the Trenton man. I believe another factor

2548 was that the two porcelain companies were using a different mix of porcelain. One mix—you will understand that when porcelain is fired in the kiln there is a shrinkage, and one mix had eight sixty-four thousandths and the other had a shrinkage of nine sixty-four thousandths and they apparently got mixed up in their raw material; and we had the most difficult time in getting porcelain.

The second thing was that we had great trouble in getting additional labor. The Washington plant is a few miles out of Hackettstown, New Jersey, and most of the labor we recruited from the farms around about there, and of course we had to have additional labor, and they had to bring green hands off the farms, and what with their mix-up in labor and mix-up in material, we had a fine hodge-podge. Still, if we had been obliged to separate the two porcelain plants the cost would have been tremendous. While the economies did not work out as we anticipated, we would have been much worse off if we had two plants.

2549

2550 Q. When was this tumbler switch put on the market where you say you estimated a saving of $35,000 a year? A. The switch was developed or had been developed by December, 1929, but I can't say when it was actually put on the market without consulting the records.

Q. And who developed it? A. I understand that Mr. Guett was instrumental in developing the switch, although I will say that this is outside of my department, and I can't say for certain.

Q. The figure that you gave is based upon a per unit differential between the cost of the new switch

compared with the older models of both Arrow and Hart & Hegeman multiplied by the number that were sold during 1930? A. The number that were expected to be sold in 1930 based on sales for the first ten months.

Q. The saving in paper boxes, was that brought about by purchasing in large quantities? A. No, at that time the Arrow Electric Company made its own paper boxes and the Hart & Hegeman made its own paper boxes. The Hart & Hegeman set-up was a little different, in that they practically paid for these boxes under a fixed price—they had a fore- 2552
man in the Hart & Hegeman factory who employed his own labor.

BY MR. GROSS:

Q. That is what is known as the contract system in Britain? A. The contract system. We paid him so much a thousand.

BY MR. HAYCRAFT:

Q. How did the Arrow purchase their boxes? A. The Arrow made their boxes right out here.

Q. What change was made, and when? A. The change was made in June, 1929. Most of the ma- 2553
chinery that was used in making the Hart & Hegeman paper boxes was found to be obsolete, and we paid off this foreman who was working on this so-called contract, and we brought over from the Hart & Hegeman such machines as we could use, bought the box-making material in larger quantities, and put the whole thing under one superintendent.

Q. How did you arrive at that saving? A. There are a lot of figures here. If you want me, I can give you all these.

(Discussion off the record.)

2554 *Thomas A. Inch—Recross.*

Q. Can you make the same statement on that? A. Hart & Hegeman boxes: The payroll prior to the change was $1,200 a month, including the foreman, but at that time the Hart & Hegeman were selling about one fifth of their production outside, to small candy manufacturers, so the payroll applicable to boxes for Hart & Hegeman was $960.

Q. Per month? A. Per month. We replaced these people, and it cost $523 per month, a saving of $437 a month, or $5,244 a year. The Hart & Hegeman were using a board in these boxes which
2555 cost them $56 a ton. That is the material out of which their boxes were made. The Arrow were using a board which cost them $38.50 a ton. The saving per ton, therefore, was $17.50. The new board produced about 10 per cent. more square feet than the old board, making an additional saving of $3.85 a ton. So the total material saving per ton was $21.35. The tonnage used was 285 tons annually. Therefore the saving of $21.35 a ton gave a saving on material of $6,084.75. The total saving to that point in material and labor was $11,328.75. When we brought the boxes over here we installed a new machine which creased the paper stock, instead
2556 of scoring or cutting it part-way through. This permitted the use of a board stock .039 inches instead of .050 inches thick for both divisions. This saved 20 per cent. further in the quantity of material used.

Q. Was this new machine sufficient to make them for both companies? A. Yes. The Arrow were then using 500 tons, and they brought their consumption down 100 tons, or a saving of $7,100 a year. I think I have already given you the $11,328.75, which makes a total saving of $18,428.75.

Q. How much of that do you think Hart & Hegeman could have saved by putting in a machine of

their own? A. I don't think they would have been justified in making that expense of $3,700 on this new machine.

Q. It would not take long to save the price of it, however? A. I couldn't tell how long it would take.

Q. I just wonder whether that is a really fair saving, where it is a matter which could have been done from a business standpoint. I give the organization credit for having sufficient acumen to recognize a leakage there in their own organization: A. I will answer that question. The fact remains that Hart & Hegeman had had this foreman a good many years. While this machinery had been in existence for some time, they never availed themselves 2558
of it. I was present at an interview between Mr. Grier and this so-called contractor when he was paid off, and he gave very clearly to understand that the Hart & Hegeman management had informed him that his services would be used indefinitely. In other words, there was a distinct understanding that it was contemplated that he would continue to manufacture boxes for Hart & Hegeman for many years.

Q. I just wanted to ask you as an expert in this line of work whether or not you did not put it on a different basis than, for instance, the saving that 2559
was made in the joint manufacture of sockets, where it is clear you can trace right down the increased production which would be reflected in low unit cost. A. I will concede there is a possibility that they might have made a saving, but the probability is not there.

Q. Now, this automatic screw machine $18,000 per year item. A. I will try to give a brief summary of the conditions as they then existed.

Q. You mean in October, 1927? A. Before the consolidation of the department.

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Q. When was that? A. The consolidation was accomplished some time in 1930. At the beginning of 1930 there were 112 automatic screw machines of various types, 76 per cent. of the total being in the Hart & Hegeman plant and 24 per cent. at the Arrow plant.

Q. These machines were used in making parts of switches? A. Yes, automatic screw machine parts. I don't know that I can describe them exactly. They make the brass parts of switches and sockets. The consumption per year was 1,600,000 pounds

2561 of brass and steel rod. 77 per cent. of this consumption was by the Hart & Hegeman factory and 23 per cent. by the Arrow factory. The total number of people then employed on those machines was 42; total direct labor $46,000 per year; the total indirect labor, $25,000 per year. From this it shows that Hart & Hegeman was operating 76 per cent. of the equipment with 69 per cent. of the employees and consuming 77 per cent. of the raw material. The direct labor from these parts was costing the Hart & Hegeman $23 per 1000 pounds of material, and costing the Arrow $46 per 1000 pounds of material, the Arrow consuming 23 per cent. of the

2562 material, 385,000 pounds. If the material they consumed could be produced at $23 per 1000 pounds direct labor, as in the Hart & Hegeman plant, the direct labor saving would be $8,850.00. The handling of the raw material at that time was bad in both plants, but particularly so at the Arrow. I can't recall the details, but I think that the brass rod was handled three or four times before it got to the automatic screw machines. We were very much crowded in the basement here and had no place for the raw stock, and it was taken to substock rooms, and handled several times. It was

proposed to erect a freight elevator at the Hart & Hegeman plant for the most economical handling of this material, to be delivered straight from the stock rooms to the automatic screw machine department.

A brief summary of the saving is given as follows:

Lowered labor cost, $6,750.

Reduced inventory of raw materials carried, owing to the elimination of duplicate stocks in each plant, with 6 per cent. thereon, $1,800.

The total elimination of indirect labor at the 2564
Arrow plant, $5,900.

Q. By that you mean that this same material could be made at the Hart & Hegeman plant and do away with the labor entirely? A. Yes, doing away with the direct labor here entirely and having enough labor at the Hart & Hegeman plant to run the whole thing.

Q. What was the $8,850. at the beginning that you mentioned? A. That was reduced afterwards on the number of employees to $6,750.; indirect labor $5,900., and Mr. Ten Eyck has worked in $4,400., representing better service, a more direct distribution to all departments, as well as handling 2565
charges, but I can't see any substantiation of that figure here. That makes up the total of $18,850.

Q. Your total would be right around $12,000.? A. Yes, but I have no doubt—I am not familiar with the details. Mr. Ten Eyck would substantiate the $4,400.; otherwise they would not have put it in. I have a further report here that was made in March, 1930, after the combination of the automatic screw department had been effected.

Q. What have you been giving are estimates? A. Yes. Now, we have the report. I would like to

2566 *Thomas A. Inch—Recross.*

read extracts from this report. Preliminary report made March 1, 1930.

Q. How long had it been in effect at that time? A. Probably a month.

Q. About a month? A. Yes. In 1929 the total number of people employed by the two automatic screw divisions was 42; average weekly payroll $1,500. In the week ended February 15, 1930, it was reduced to 25 people; average weekly payroll $660., showing a reduction in people of 10 per cent. and a reduction in dollars of 56 per cent.

2567 Q. How about output? A. I am coming to that now. The reduction in hours, 20 per cent. of normal. In 1929 the total indirect labor for the two automatic screw divisions was $25,400. At the present time, that is, February, 1930, the indirect labor was $15,000., or $10,000. less than in 1929. On full time this will amount to $18,600., or $6,800. less than before the consolidation. In other words, they estimated an indirect labor saving of $5,900.; they actually got $6,800. This report, which was made a month after the combination of the departments states that the estimated economy of $18,850. looks as if it will be achieved.

2568 Q. How about the comparison of the output of the material from these machines as compared with 1929? A. Well, I don't know how we can measure it. I don't know if we can measure the output of the automatic screw machine department.

Q. Is it your report there that 25 people did as much work as the 42 in the old system? A. Produced as many finished units. The reduction in people was 40 per cent., from 42 to 25; the reduction in the number of hours of work was only 20 per cent. Now the output in that department is.

doubled almost entirely by the number of hours work.

Q. You attribute that to more efficient labor, or to what? A. More efficient handling; keeping the machines on full time; no breaking up of jobs; no special setting-up charges, and I should say a closer supervision by having it done under one roof.

Q. Those are the principal factors, then? A. Yes.

Q. This putting of screws in envelopes, that is purely a new development, that $30,000 per year 2570
saving? That was something that you worked out very recently? A. No, the machine for doing this had been in successful operation in the Arrow plant for several years. The Hart & Hegeman had never introduced it. In February, 1930, it was proposed to introduce it in the Hart & Hegeman plant, the same automatic machine as in the Arrow.

Q. Was any portion of that difference due to increased production, or anything of that kind? A. I would say that it was one of those things which occurred after we had a thorough opportunity to get together the factory superintendents and having them examine each other's methods. Each fac- 2571
tory was making several thousands of different items, and in certain methods and machinery the Hart & Hegeman was a good deal better or superior; on the other hand, the Arrow had several ideas—

Q. That is something that you might get from association with other officials. You might get it from some other plant. It is nothing that is necessarily due to result or come about from a merger of this kind. A. That is true, except that Arrow

2572 *John W. Saladine—Direct.*

had had this machine in operation, and Hart & Hegeman—

Q. Had not been benefiting by it all this time. Now, I can see a distinction, it seems to me, between a case of that kind and a case in the sockets. An increased production would naturally bring down the cost, which might not necessarily come out of joining forces. A. It is possible that they might have stumbled on it.

Q. Now, your automatic screw drivers, the saving of $20,000 per year. A. That is something
2573 that Arrow could not have gotten anywhere else. It was patented. They swing on long shelves, and they work automatically, putting in the screws.

Q. That is an invention of Mr. Guett's? A. Yes.

Q. And this $20,000., is that a saving by the Arrow people after they adopted the use of this machine? A. Yes.

Q. When was that? A. They started to put them in this factory about the beginning of 1930.

Q. In the Arrow factory? A. Yes. The Arrow factory could not have gotten the use of the screw drivers otherwise.

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Mr. Haycraft: That is all.

JOHN W. SALADINE, was thereupon called as a witness, and having been first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. GROSS:

Q. Your name, Mr. Saladine? A. John W. Saladine.

Q. Where do you live? A. 337 North Steele Road, West Hartford.

Q. What is your position in the new respondent? A. I am the only gentleman in this company without a title, I think. My duties are to be in charge of sales promotion and the merchandising of the jobber items.

Q. Before you were with the new respondent in the home office what was your office? A. I was manager of the Hartford branch of the Graybar Electric Company, as manager.

Q. How long were you there? A. When the 2576
house opened in August, 1926, until December 1, 1928.

Q. Then what did you do? A. I then was employed by the Hart & Hegeman Manufacturing Company.

Q. In what capacity? A. New England manager.

Q. With your office where? A. Boston.

Q. And then from being the H. & H. manager at Boston for Hart & Hegemen Manufacturing Company, you continued on while there with the H. & H. Division? A. Yes.

Q. Of the new respondent? A. Yes. 2577

Q. Until what date? A. A little after the 1st of September of last year.

Q. 1930? A. 1930, yes, sir.

Q. And then you came to the home office? A. Yes.

Q. As promotional sales director? A. Yes.

Q. In previous testimony which has been put in this case, reference has been made to the fact that since 1930 there are in some instances salesmen operating out of branch offices who handle both

2578 *John W. Saladine—Direct.*

Arrow and Hart & Hegeman lines. Are you familiar with that circumstance? A. I am.

Q. How many such men are there? A. They are four at the present time.

Q. Will you explain in a general way what the circumstances are that call for that method of salesmanship, and develop it, where they are and why they are? A. The first time that was done was when we established what we call a joint man in the State of Texas. The thought was that the business to be had in the State of Texas is few
2579 and far between; that is, distances are very great and the number of jobbers and contractors are comparatively few, and it was felt that we could cover the state economically. More important, perhaps, than that was the fact that both divisions have had jobbers established there for a good many years. There were very few jobbers springing up, as far as we could determine. In other words, our jobber channels were established. We thought, therefore, that one man could cover these jobber channels successfully, and of course save the company a considerable amount of traveling expense. The same thing is true of distributing in a large sparsely
2580 populated territory like that of the contractor, engineer, architect and specification market. I think the next man we established on that basis was in a similar territory, only closer to home.

Q. When was that done in Texas? A. I think it was only done about a year ago. Then, this year—it has always been expensive to cover the States of New Hampshire and Vermont. They are peculiar—I believe there are only four jobbers in the two states combined. There are a number of contractors doing the country wiring type of work. We there-

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fore established what we considered more of a contractor salesman, with headquarters at Springfield, to spend most of his time working north over the State of Vermont and the northern part of New Hampshire, driving a car, calling on the contractors, and he had one or two contractors in each little town and he had three or four jobbing accounts, some of them being Arrow and some of them H. & H. This man was doing contract work, and as the distribution was settled,—and I didn't know where we would get other distributors in a territory of that kind, we thought it would work out.

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We have just recently done the same thing in Maine, where the conditions are very similar to Vermont. The thought there was that—if I remember correctly, it cost $50 to $60 a week from Boston to cover the territory throughout the State of Maine. We figured that if we took the salesman and moved him to Portland and let him cover the contractors for both divisions that we could be in very much closer contact with the merchandising jobber and with the ultimate customers, the contractor, by having a man on the job for these divisions.

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The last case is an entirely different story.

Q. Was that last one in 1931? A. That was in 1931 as well, yes. The last one is where a man travels in the State of Connecticut. In Connecticut we have Bryant, Hubbell, General Electric and the Connecticut Electric Manufacturing Company, all manufacturers of wiring devices in Bridgeport, and in Hartford we have the Arrow Electric Division and the Hart & Hegeman Division of the Arrow-Hart & Hegeman Electric Company. There

are six or seven concerns manufacturing wiring devices right here in Hartford. If a contractor wants any merchandise he calls our service manager and says to ship 25 dozen or 50 dozen and bill it through such and such a jobber. Our salesmen travel in Bridgeport. We have one account down there, and with the exception of that we have a fat chance of getting any business. So we decided that it was rather silly in a state as small as this to have two men, when all that could be done was really missionary work.

2585 To the best of my knowledge those are the only four men of what we would call combination salesmen. Their duties, frankly, are chiefly as missionary men in widespread and sparsely-populated areas.

Q. Now, another point. As a result of your experience as a manager and as a promotional developer—counsel for the Commission has commented that one of the jobbers from Newark, I think, cited the case where one division sent in a man every two or three weeks and the other division only sent a man in perhaps twice a year. Will you explain wherein that is a proper cultivation
2586 of that territory as a matter of competition between the two divisions?

Mr. Haycraft: I object to the form of the question, Mr. Examiner.

Examiner Reeves: Do you contend that the question is leading and suggestive?

Mr. Haycraft: Leading,—extremely so.

(The last question was repeated as follows: "Q. Now, another point. As a result of your experience as a manager and as a promotional developer—counsel for the Commission has

commented that one of the jobbers from Newark, I think, cited the case where one division sent in a man every two or three weeks and the other division only sent in a man perhaps twice a year.")

Q. (Continued) Will you comment on that testimony as a matter of salesmanship of the two divisions and explain why it is done? A. I think electrical jobbers as far as the manufacturing of wiring devices is concerned, more or less classify themselves into—can be divided into three classes. 2588
We have some, and our competitors have some, of what we would call 100 per cent. jobbers, that is, of wiring devices they handle either Arrow material or Hart & Hegeman material or Bryant material or Hubbell material, and so on,—General Electric or Westinghouse. Then there are jobbers—by the way, that is a fairly small class.

Q. You mean in number? A. In number—no, that is not true exactly. I think there are more small jobbers than there are large ones. Then there is the second class, whose preponderance is for one manufacturer, but they may carry one or two of another manufacturer's material.

Q. And then, sad to relate, but by far the great- 2589
est, are those who carry four or five or six lines of wiring devices. I ran into one recently in New York who had six. I think that is the limit. If the Arrow Electric Division had 100 per cent. customer, the chances are that the Hubbell Company or the Bryant or the Hart & Hegeman division would only call on that customer once every six months—perhaps once in three months, but they would call the least of all, as their only hope—whether Hart & Hegeman Division or G. E.—that

is their only hope would be that there would be some break in those relationships, and if there is some break, because you have contact you have got a chance to jump in on the jobber who has a preponderance. If one jobber had 80 per cent. H. & H., 10 per cent. Hubbell and 5 per cent. Arrow, or 10 per cent. Arrow, the Hubbell and Arrow men in that case would probably call once every sixty to ninety days. In the second class, that was, say, a Hubbell jobber, although we get some business, and so does Pass & Seymour, and because of the
2591 strength of the jobber you have got to deal with him to some extent. The third class is the one that they all call on, and they call on fairly often. Frankly, it is not profitable to anybody. Carrying a similar stock, five or six similar stocks, is a loss to the manufacturer; he gets no support, and it is a loss to the jobber through duplication of investment. We have good accounts that Pass & Seymour call on once in six months.

Q. How often would Hart & Hegeman salesmen or H. & H. salesmen—either from the company or the division in the two periods—call on a good substantial H. & H. jobber? A. I am trying to
2592 think of a specific case that I had in my own field experience that would prove that in. Formerly, when I was in Boston, the Leon Electric Company was an Arrow jobber, although they carried Hubbell—probably 90 per cent. Arrow and 10 per cent. Hubbell. I believe I called on him three or four times a year. Now, it happened that there was a break there in that company. I didn't get it. It went to the Bryant Company, but it was a financial break, because Westinghouse purchased the assets of the Leon Electric Company, but that break was rumored for 60 days—and they were flying in

thick and fast, and you will find a Hart & Hegeman salesman there every week or ten days, merely on the rumor that got around in the trade.

Q. I asked how often a salesman would call on a regular Hart & Hegeman jobber of substantial importance. A. That depends on the nearness of the jobbers to the salesman's home. I would say it would average once every ten days, maybe two weeks.

Q. From your experience as manager for a jobbing concern, and from your general familiarity with the electrical business generally, do you know 2594
of any instance—a well known instance where one concern put out substantially the same product under two separate brands with two separate sets of salesmen who are competing with each other?

Mr. Haycraft: That is objected to for about all the reasons that I can muster. It violates every principle of direct examination; first, objection is made on the matter that it is incompetent, irrelevant and immaterial to the issues in this case. It calls for a conclusion of the witness based upon facts which are not in the record; it is a conclusion that the Commis- 2595
sion must draw itself from the facts as elicited in the record.

Mr. Gross: I asked him whether he knows of circumstances other than this one.

Examiner Reeves: Objection overruled.

(The last question was repeated by the reporter.)

Mr. Haycraft: I renew my objection.

Examiner Reeves: I think that part of the question which states that two sets of salesmen are competing with each other--

Mr. Gross: Take out "competing with each other".

A. May I ask a question? I am not just clear—you mean as manager for Hart & Hegeman or as a manager?

Q. As a result of your experience do you know of any such case?

Mr. Haycraft: The question now is, "a manufacturer that had two divisions with separate sales forces"?

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Mr. Gross: Yes. Do you object to that?

Mr. Haycraft: I object to that as incompetent, irrelevant and immaterial. I don't know that it has any value in the case, and it probably opens a line of examination which, if carried to the extreme, will require me to go to some extent in rebutting, and which should not be brought into the case.

Mr. Gross: I am trying to show a parallel case to the issues in this case.

Mr. Haycraft: If there is another instance, what has that got to do with this case?

Examiner Reeves: The witness may answer.

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A. I do.

Mr. Haycraft: Exception.

Q. Can you state the circumstances as you know them? A. It so happened that when I was with the Graybar Company they were a jobber of the National mazda lamps made by the National Lamp Works of the General Electric Company. At the same time we received perhaps our most serious

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competition from the Edison Lamp Works of the General Electric Company. The lamps of those two sales organizations are made in the same factory by the same machines. Of course, they are owned by the same company, and their thought was that they could get a greater share of the lamp business available by having two divisions, one known as the National Division and the other as the Edison Division, and those lamps are sold, from my experience, in bitter competition throughout the United States by various jobbers and agents.

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Mr. Haycraft: Now, Mr. Examiner, I move to strike out the answer of the witness. It is not responsive to the question as corrected under the direction of the Examiner, and also he is including in his answer the reasons and the state of mind of the manufacturers of the Edison General Electric lamps, outlining their policy and distribution, and it is entirely irrelevant to the question propounded, and not responsive.

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Mr. Gross: If your Honor please, I don't suppose my learned friend likes the answer. The gentleman says he was solicited by two separate sets of salesmen for the identical product under two separate names.

Mr. Haycraft: And then he gives the reasons for the conditions, referring to conditions that were existing between the jobbers, where he had no personal first-hand information.

Mr. Gross: I have no objection to the reasons being stricken.

Mr. Haycraft: That answer has no place in the record at all.

2602 *John W. Saladine—Direct.*

Examiner Reeves: The motion to strike will be denied except in part; that part of the answer of the witness in which reasons were assigned may be stricken.

The Witness: I think another exception should be made there. You said I was solicited by two branches. I wasn't solicited, because at that time my company had a contract with one of those divisions, but my competition was strongest from the Edison Lamp Works.

2603 By Mr. Haycraft:

Q. Through another jobber? A. Yes.

By Mr. Gross:

Q. Going back to the question of the four salesmen since 1930, who have been traveling in sparsely fertile territory, so far as business results were concerned, could the two divisions have afforded to travel two salesmen in these territories during that period so far as financial results with respect to the divisions are concerned?

2604 Mr. Haycraft: That is objected to as calling for a conclusion. I don't see any value to it, in addition to being incompetent, irrelevant and immaterial to the issues in this case.

Mr. Gross: I think this is one question this man has to decide, as to the best methods of getting the most business.

Examiner Reeves: The objection is overruled.

A. The study we made of the situation seemed to prove to us that it would be—that we could not

make a reasonable margin of profit and do a reasonable volume of business in that territory on that basis.

Q. But I understand that if only one salesman had gone into that territory, one of these salesmen, if he did not sell the goods of both divisions, he would naturally have been confined to only one division, and therefore the jobbers who handled the other division offered a better cultivation? A. We would do one thing or the other. That is, we had to try it the other way and found it not profitable to do so.

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CROSS EXAMINATION BY MR. HAYCRAFT:

Q. You say that those are the only four men that you know of that are known as combination salesmen. To your knowledge are there other instances in other places where with the permission of your district managers an Arrow salesman will take an order for a Hart & Hegeman article and a Hart & Hegeman salesman for an Arrow article, particularly in this instance where the salesman, whether he be Hart & Hegeman or Arrow, is calling on a customer who does not stock or handle, as far as you know, the other item.

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Mr. Gross: Since 1929.

Q. At the present time or any period back? A. I don't think so. I might add this, Mr. Haycraft, that frequently—not frequently, but sometimes, customers will send orders in,—and most orders are received in the mail, and not taken by the salesman from the jobber—where there will be listed H. & H. items. If it is an Arrow jobber, it will say, "Please ship H. & H.", probably at the bottom.

Q. Take these second jobbers: Isn't it customary, or isn't it permissible, or isn't it good business from your standpoint to have your salesman who calls regularly to transmit orders that they may have for the other division? A. We would get a stiff yell from the other salesman if we did that. If it was a building job, they will specify 80 per cent. Arrow and some Hart & Hegeman plates, or switches, and two orders would be made out. In that case that H. & H. salesman—say he went to work on that job to see to it that H. & H. was in those specifica-
2609 tions. He wouldn't get credit.

Q. Unless he called on the jobber— A. The jobber has no alternative in a case of this kind. The contractor is told by the specifier and the jobber is told by the contractor what brands he wants, and our salesman for H. & H. in this particular instance would be out of luck.

Q. What difference would that make so long as you got the business? A. These salesmen are hired, retained on the basis of the business they produce; a Hart & Hegeman salesman for what he produces and and Arrow salesman for what he produces. We are constantly sizing these men in the field on the
2610 basis of what they produce in the field. As a matter of fact, we are putting in a bonus system very shortly.

Q. I didn't think there was any question about it. A. The testimony ran that way in the jobbers—of course, we agree with the jobbers' testimony to that extent. The jobber will tell you that he does quite a lot of work selling the job, and we believe we do the work. Wiring devices are only 5 to 6 per cent. of that business, and the jobber is not going to spend a lot of time getting that business.

Q. By the way, to whom are you responsible? A. Mr. Grier.

Q. Not to Mr. Pond or Mr. Everest? A. No, sir.

Q. Have you issued any instructions to any district sales managers whereby they are to instruct the salesmen not to do a thing which I have just outlined as being indicated? A. Never in writing, but decidedly so in our sales conversations.

Q. What happens in the case if a Hart & Hegeman salesman runs across an order for Arrow products? What is he supposed to do? A. The first thing he is to do is to persuade him to take Hart & 2612
Hegeman. That, frankly, isn't very often successful.

Q. If it is a question of where a Hart & Hegeman is asking for Arrow goods? A. He will report that, of course, to his manager, that Arrow is specified.

Q. What does the manager do? A. Sends the Arrow salesman after it.

Q. Doesn't he create a rather—to follow the method you indicated, doesn't it sometimes create a rather slight unpleasantness between a Hart & Hegeman customer and Hart & Hegeman salesman, that he won't accommodate him to that extent? A. 2613
We had some argument to start with, but the trade is pretty well straightened out, and they kid these salesmen by saying, "I have an Arrow order, but I am sorry I can't give it to you." I have seen a Hart & Hegeman order come in and on the bottom it will say 50 Arrow products.

Q. You don't have any arrangement whereby the salesman who created that business with the contractor would get the credit for the sales made to the jobbers? A. No.

2614 *Harvey C. Pond—Recalled—Direct.*

Q. They must see the deal through? A. Yes. When he goes along the street and sees a hole in the ground, he ought to start right there—whose building is it, who is the owner—and that is where the real battle starts; right there, through the architects, contractors, and so forth.

Mr. Haycraft: I think that is all.
Mr. Gross: That is all.

2615 HARVEY C. POND, was thereupon recalled as a witness, and having been previously duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. GROSS:

Q. Mr. Pond, can you produce the United States census figures for the electrical wiring devices as to the amount of it, by schedules? A. I have the printed f[illegible] which is issued for the 1927 business, and the preliminary report for the 1929 figures.

Q. That preliminary report is in mimeographed form? A. In mimeographed form, which came from
2616 the Government.

Q. It is an advance sheet of what the 1929 pamphlet is when issued? A. It is issued, but the issue has been exhausted, but it will be obtainable at the Bureau of Census.

Q. Will you give us the figures of the electrical wiring device industry for the years 1927 and 1929?

Mr. Haycraft: I object to that on the ground that it is incompetent, irrelevant and immaterial to the issues in this case, particularly in

view of the statement of the attorney for the commission that he was not intending to show that a monopoly had been created.

Mr. Gross: It is not a case of monopoly; it is a case of showing what proportion of the business of the industry we have got.

Examiner Reeves: Upon what, really, do you contend that it is material, since counsel for the Commission waived the clause in the complaint with respect to the tendency to create a monopoly?

Mr. Gross: My learned friend said that he would not waive any restraint of commerce. 2618

Mr. Haycraft: That would not have anything to do with the restraint of commerce.

(Discussion off the record.)

Mr. Brown: Mr. Haycraft contends that competition refers to competition between the two companies or the two divisions, whereas our contention is, and I think we have some authorities to back us, that competition refers to competition in the industry, as distinguished between competition between the two companies. These statistics show our proportion of the industry with all our competitors, and that will 2619 show the status competition has in the industry, and whether that competition has become more or less formidable, what we have to meet, and that sort of thing.

Examiner Reeves: The objection will be overruled. We will start on this line of testimony and see where it leads to.

Mr. Haycraft: Are you passing on the competency of the testimony also, the source, and so forth?

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Examiner Reeves: Are you raising the question of the competency of a Government publication?

Mr. Haycraft: Yes, in a proceeding of this character, primarily for the reason that I have not any opportunity of ascertaining how these figures are made up.

Mr. Gross: Nor have we.

Mr. Haycraft: In other words, in the first place, what they include; how the division is made, and what concerns enter into it. I am

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not saying it is not a correct report, but I am deprived of the opportunity of cross examination of the man who prepared that.

(Discussion off the record.)

Mr. Haycraft: For instance, if this report is allowed in without counsel for the Commission being allowed to cross examine the man who prepared the report, it will be impossible to determine the class of material and the quality of the material that go to make up the total figures, because as I know from my knowledge, these reports are prepared from a general questionnaire sent all over the country to every type

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of manufacturer, regardless of kind or quality of material that is manufactured. There is nothing to show the system of distribution; whether it is through jobbers or direct to manufacturers, or just how it is sold. So, to my mind, the figures represented in the reports haven't any evidentiary value at all to determine the issue we are trying to determine.

(Discussion off the record.)

Examiner Reeves: Objection overruled.

Mr. Haycraft: Exception.

(The last question was read by the reporter.)

Q. (Continuing) As taken from the bulletin, "Census of Manufacturers in the United States, Department of Commerce, Bureau of Census, covering electrical machinery, apparatus and supplies," published by the Government printing office in Washington, D. C. A. The census figures covering the total volume of business of the wiring device industry show for 1927 $32,703,331.

For the year 1929, $43,120,093.

Q. Now, will you give us the total combined sales of the Arrow Electric Company and the H. & H. Manufacturing Company in 1927, and of the two 2624
divisions of the new respondent for 1929, covering the same material? A. The combined sales of the Arrow Electric Company and the Hart & Hegeman Manufacturing Company in 1927 make a total of $7,452,677. The combined business for the Arrow-Hart & Hegeman Electric Company, both divisions, in 1929, total $8,173,884.

(Discussion off the record.)

Q. Will you give us a list, or rather a partial list of other concerns who make electrical wiring devices in this country, which products come within the 2625
schedules that we have here, covering the product of this country?

Mr. Haycraft: I object to this type of testimony on the ground it is incompetent, irrelevant and immaterial to the issue, and particularly in view of the statement made by counsel for the Commission that there is no tendency to create a monopoly.

(Discussion off the record.)

A. This was compiled March, 1929.

2626 *Harvey C. Pond—Recalled—Direct.*

Alcor Mfg. Company, Sockets.
Fargo Elec. Mfg. Company, Sockets.
Paragon Elec. Mfg. Company, Switches.
Deal Elec. Company, Attachment Plugs.
General Electric, All.
Westinghouse, Panel Board Switches.
Hubbell, All.
Pass & Seymour, All.
Weber, All.
Connecticut Electric, All.
Hemco, Molded.
2627 Circle F., All.
Paulding, All.
Leviton, All.
Gaynor, All.
Standard Electric Mfg. Company, All.
Monowatt, All.
H. Hyman, Switches.
Ratner, Specialties.
Benjamin, All.
McGill, All.
Reynolds Spring, Molded.
Beaver, All.
Cutler Hammer, All.
2628 Hart Mfg. Co., Switches.
Roberts, Sockets—Specialties.
Metropolitan, Receptacles and switches.
Colts, Cut-outs and taps.
Trumbull, All.
Economy Fuse, Sockets and fuse plugs.
Bussman Fuse, Sockets and fuse plugs.
Chicago Fuse & Wire, Sockets and fuse plugs.
Meteor, All.
Rodale, Switches.
Propp, Molded material.
Eagle, Receptacles and plates.

Hoosick Falls, Plates and material.
Saturn, Switches.
The Elec. Company, Attachment plugs.
Federal Elec., Sign receptacles.
Crouse Hinds, Control panel board switches.
H. J. White, Candle sockets.
Frank Morse, Molded material.
Perkins Marine Lamp, Flush receptacles.
Siemon Mfg. Company, Sockets.
T. C. Smith Company, Attachment plugs.
Knox Porcelain Co., Porcelain receptacles.
Treule Porcelain Co., Porcelain receptacles. 2630
Wood Elec., Receptacles.
National Metal Molding, Receptacles.
Appleton, Sign receptacles.
Quadrungle Elec., Porcelain.
Ajax, Composition.
U. S. Elec. Company, Sockets.
Utilo, Plugs.
Carling Mach. Company, Switches.
Heineman, Porcelain.
Barber Elec. Mfg. Co., ?
Bulldog, Panel Boards.
King Mfg. Co., Bklyn., cut outs.
Trumbull Vanderpool, Control switches. 2631
Bryant Elec. Co., All.
Frank Adams, Panel switches.
Acme, Porcelain sockets.
American Brass, Shareholders and plates.
Waterbury Brass Goods Co., Plates.
Trenton Elec. Mfg. Co., Switches and receptacles.
Francis Keil, Switches and plates.
Brewer Elec. & Mfg. Co., Switches.
Marks Products Co., Switches.
Conn. Molded Products' Plugs.
Trico Fuse Co., Fuse plugs.

2632 *Harvey C. Pond—Recalled—Direct.*

Chapin Co., Receptacles.
Armstrong & White, Receptacles.
Best Elec. Co., Receptacles.
Yaxley, Radio receptacles.
All radio part manufacturers. All baby knife switch manufacturers.

This list has been compiled from personal knowledge of the sales executives added by trade paper classified lists of manufacturers and the Underwriters' list of approved fittings.

2633 Q. I show you a record book and ask you what corporation that relates to? A. The Arrow Manufacturing Company.

Q. Were you one of the incorporators of that company? A. I was.

Q. Were you a director and secretary of the company? A. I was.

Mr. Gross: I desire to offer the record book of the corporation in evidence, as in the other case, that it be marked and then I will, with the permission of the Court, substitute the copy.

2634 Examiner Reeves: This book may be received in evidence as Respondent's Exhibit 30, with leave granted to withdraw the original and substitute a copy, which is Exhibit G, attached to the answer to the supplemental complaint.

(The book referred to was thereupon marked "Respondent's Exhibit 30 for identification".)

Q. I show you, Mr. Pond, Exhibit G, entitled, "Copy of minutes of the Arrow Manufacturing Company, which is attached to the answer of the new respondent to the supplemental complaint, a copy of which answer you have seen, and which I have

in my hand, and I ask you whether Exhibit G attached to the answer is a full complete copy of everything which is in the record book of the Arrow Manufacturing Company? A. It is.

Mr. Gross: Now, Mr. Examiner, may Exhibit G, for purposes of economy, be marked?

Examiner Reeves: This may be marked Respondent's Exhibit 30, and will be received in evidence in lieu of the original record.

(The book referred to was thereupon received in evidence and marked "Respondent's Exhibit No. 30".) 2636

Q. Were you present at every meeting of that corporation? A. I was.

Q. Does the book contain every corporate act taken by the Arrow Manufacturing Company? A. It does.

Q. And does it contain every agreement made and every obligation undertaken by that corporation? A. It does.

Mr. Gross: You may inquire.

CROSS EXAMINATION BY MR. HAYCRAFT: 2637

Q. Who prepared the minutes? A. They were prepared by counsel for—Mr. Shipman—he was counsel—in conjunction with, I should say, myself.

Q. Who dictated it? A. I presume counsel, Mr. Shipman.

Q. And he presented it to you? A. Yes.

Q. You looked them over and signed them? A. Yes.

Mr. Haycraft: That is all.

BY MR. GROSS:

Q. Not only did you look over them and sign them, but can you say that every vote passed and every election had was actually done in your presence? A. That is true.

Q. In other words, those minutes record actual happenings at meetings as stated therein? A. Yes.

BY MR. HAYCRAFT:

Q. With reference to the time at which those things were done, when were the minutes prepared,
2639 before or after? A. I imagine they were prepared before principally, and probably corrections were made afterwards.

Q. Who was president at that time? A. Mr. Grier.

Q. Did he take an active part? A. He was present at all the meetings.

Q. Did he take an active part? A. Just as active as any.

Q. Do you know the purpose of the meetings? A. The purpose of the meetings?

Q. Yes. A. Chiefly to consider the plan of reorganization, so as to get back the stock.

2640 Q. Who presented that plan at the meeting? A. I should say Mr. Shipman.

Q. And was that the purpose of the organization of the corporation? A. I understand it to be so, yes.

Q. And every step that was taken there in the meetings was taken upon advice of Mr. Shipman? A. Yes.

Mr. Haycraft: That is all.

Mr. Gross: That is all.

(Discussion off the record.)

BY MR. HAYCRAFT:

Q. On this list of manufacturers—or partial list of competitors that you read into the record, did you say you compiled that in March, 1929? A. Yes, that was prepared from trade paper directories and from the underwriters' list of approved fittings, and in conjunction with our own outside sales managers.

Q. Where is the Alcor Manufacturing Company located? A. Chicago.

Q. Do you have any information as to its size? A. It is a small concern manufacturing candle sockets. 2642

Q. Where does it sell them? A. Sells them chiefly to manufacturers.

Q. And over what territory? A. Throughout the country, interstate commerce.

Q. Can you testify from your own observation as to what class they sell to chiefly? A. Chiefly fixture manufacturers.

Q. Do they sell to jobbers? A. I don't know, but I imagine very little.

Q. Do you know anything about the number of salesmen they travel or what they cover? A. I don't know anything about that. I think they handle it on commission. 2643

Q. The Fargo Electric Manufacturing Company? A. I don't know.

Q. The Paragon Electric Manufacturing Company? A. I don't know them.

Q. Do you know where they are located? A. No, sir.

Q. The Deal Electric Company? A. Deal is in New Jersey.

Q. To what class of trade does it sell? A. Attachment plugs.

Q. To what class of trade? A. I should say the same general class of trade we sell to; possibly some jobbers and some manufacturers.

Q. Do you know anything about the size of it? A. No.

Q. Have you reports from your salesmen as to the extent of their distribution? A. No. Every once in a while we get a report where we are up against the price from the Deal—usually underneath us.

2645

Q. Where is that? A. Chiefly in the New York territory.

Q. The G. E.—The General Electric Company; they have already testified in this proceeding. They manufacture and distribute the full line? A. Yes.

Q. The Westinghouse, the same? A. The Westinghouse, of course, owns the Bryant Electric Company.

Q. Hubbell, the same? A. Yes.

Q. Pass & Seymour. Do they sell through jobbers also? A. Yes, practically the same policy as we have.

Q. Weber? A. The same.

2646

Q. Connecticut Electric? A. They are operating under receivership now. At that time they were active chiefly in bakelite plugs and receptacles. Practically a complete line in that line.

Q. How would they compare with Pass & Seymour, Weber and Hubbel, and so forth? A. I would say they were half the size of the Weber Company.

Q. How does Weber compare with your own firm? A. I should say Weber is about half the size of the Arrow Electric Company.

Q. How would Pass & Seymour compare? A. In between Weber and ourselves.

Q. Hubbell? A. That comes a little closer to the Arrow Electric or Arrow Electric Division.

Q. How would you compare yourself with Westinghouse and General Electric? A. You are speaking of the merged company?

Q. Yes. A. I should say the present company would probably do business on parallel lines perhaps slightly greater than either the Bryant or General Electric Company, but not as much as the combined companies.

2648

Q. Hemco? A. At that time it was an independent manufacturer of bakelite plates. Since that time it has been bought by the Bryant Electric Company.

Q. Its product were plates exclusively? A. Plates and molded attachment plugs.

Q. Is that a small or a large concern? A. It was a large concern for the class of business it was doing.

Q. How did it distribute it? A. Through the jobbers.

Q. Circle F.? A. Circle F. is a trade mark name for the old Freeman Electric Company, manufacturing in New Jersey. Practically parallel lines with our firm; operating through jobbers; sometimes direct to manufacturers. Not as big as our company.

2649

Q. Are they still in busines? A. Yes.

Q. How does it compare? A. They are quite a factor in the present business.

Q. How does it compare in size? A. I haven't any definite information on that point, but I should say fairly respectable. Fine equipment and tools. It is a responsible concern, but not large.

Q. Is it as large as either division? A. Not as large as either division.

Q. Paulding? A. They are located at New Bedford, Massachusetts. They manufacture practically a complete line, specializing in switches, sockets and porcelain material of various kinds. They have been in business for a number of years.

Q. How do they distribute? A. Chiefly through jobbers.

Q. How does it compare in size with your firm? A. Just as the Circle F.

2651 Q. Leviton? A. Leviton Manufacturing Company is a concern operating chiefly—or distributing chiefly to fixture manufacturers and selling material to jobbers and to manufacturers. Identical line to ours and doing business which probably closely approximates either of the two divisions.

Q. How does their material compare with that put out by your company, in quality? A. It is not recognized as equal.

Q. What would be true with Paulding and Circle F.? A. The same thing.

Q. Where is Leviton located? A. I think in Brooklyn.

2652 Q. Gaynor? A. Gaynor is located in Bridgeport, Connecticut.

Q. What class of trade? A. Chiefly jobbers—practically entirely jobbers.

Q. The full line? A. No. They specialize chiefly in brass plates, although they have gotten into the manufacturing of switches. I don't think they make any sockets.

Q. How do they compare in size? A. They are smaller.

Q. The Standard Electric & Manufacturing Company? A. They are located in Chicago.

Q. The full line? A. Not in sockets; mostly in switches and porcelain receptacles, but not brass shell sockets, and they have recently come into the field on bakelite plates and bakelite receptacles, and have become much more active on switches. They are coming along fast. They are rapidly increasing.

Q. What class of trade do they sell through? A. Jobbers.

Q. How do they compare with your concern? A. They have other lines; also boxes, and other material of that character, and they are coming along 2654 nicely.

Q. Is it just as large as either of your divisions? A. Half as large, in so far as parallel lines are concerned.

Q. How about Monowatt? A. Very good, but underselling us.

Q. Monowatt doesn't sell much to jobbers? A. Practically nothing.

Q. How does Monowatt compare in size, say, with Standard? A. They might be just about the same, I guess.

Q. Hyman? A. I don't know them.

Q. Ratner? A. Ratner is now out of business. 2655

Q. What did he manufacture when he was in business? A. He manufactured canopy switches and candle sockets.

Q. Where was he located? A. I think he was in New York.

Q. Benjamin? A. He is located in Chicago. They parallel us only partially; chiefly on attachment plug material and weatherproof sockets. They make a very extensive line of reflectors. They are a large concern, but so far as they compete with us, it is only a small part.

Q. How do they sell? A. Through jobbers.

Q. McGill? A. McGill is located in Valpariso, Indiana. He manufactures sockets and switches. He is not anywhere near as large as our company, but he does a very nice business.

Q. Reynolds Spring? A. Reynolds Spring was another manufacturer specializing chiefly on plates, attachment plugs, and material of that sort; not the sockets or switches.

Q. Did they do a substantial business? A. They were bought out by Cutler & Hammer. At that
2657 time they were in competition.

Q. Through what class of trade did they sell? A. Jobbers.

Q. Manufacturers, too? A. No.

Q. Beaver? A. He is located in New Jersey. More or less specialty manufacturers, and competes with us chiefly on cord switches attachment plugs, and canopy switches.

Q. How does he compare in size? A. He is a very substantial competitor. He is a good manufacturer.

Q. How does he distribute? A. Through jobbers and some sales direct to manufacturers.

2658 Q. Cutler-Hammer? A. Cutler-Hammer practically parallels our entire line; practically everything.

Q. What class of trade? A. Jobbers, and in some cases direct to manufacturers.

Q. How does the volume compare? A. The volume is not large, but they are practically new in the game, trying to break in.

Q. Quality? A. Good.

Q. Hart Manufacturing Company? A. Well, they are an old-time switch manufacturer who has gone into specialty manufacture, but they still have

a certain amount of business on door switches and also lighting switches.

Q. Rather small? A. They are very small as far as they compare with us. They are in Hartford.

Q. Where are the Roberts located? A. I don't know.

Q. The Metropolitan? A. Metropolitan, I think, is in New York. Chiefly on attachment plugs.

Q. What class of trade? A. I don't know.

Q. Colts? A. Colts is in Hartford.

Q. How does it sell? A. I imagine they sell and compete chiefly on the appliance end of the business. They don't compete greatly on the shelf goods. 2660
Chiefly on snap switches and fuses, and which we do not go very heavily.

Q. Trumbull? A. Trumbull at that time manufactured surface switches and flush switches.

Q. Where are they located? A. Plainville, Connecticut.

Q. What class of trade? A. Jobbers.

Q. How does it compare with your concern? A. They are now a subsidiary of the General Electric Company, and they are not competing with us on that material, making only the panel board units.

Q. Economy Fuse? A. Economy Fuse is located 2661
out in the West, I think in Chicago, and they compete chiefly on fuse blocks.

Q. Are they large? A. A large concern, but so far as they compete with us, that part of the line—competition is not very extensive.

Q. Buffman Fuse? A. The same history. A big concern, but competing only on one or two devices.

Q. Chicago Fuse & Wire? A. That is the same situation.

Q. Meteor? A. Meteor, chiefly sockets and canopy switches. As I understand it, it has been bought out by Leviton.

2662 Q. And sells to the same class of trade? A. Yes, as Leviton.

Q. Rodale? A. Rodale competes with us on the same sort of control items, that is, canopy switches, attachment plug material and flush receptacles, but not lighting switches or sockets.

Q. What class of trade? A. I don't know.

Q. A small concern? A. A small concern.

Q. Propp? A. Propp, chiefly attachment plugs and Christmas tree lighting outfits. Big concern but competing only on a limited degree.

2663 Q. Eagle? A. Eagle is practically the same sort of concern, manufacturing attachment plugs; located in New York.

Q. Hoosick Falls? A. Located in upper New York State. They manufacture chiefly molded material, competing with us on attachment plugs and convenient outlets.

Q. Sell through jobbers? A. Yes.

Q. A substantial concern? A. A small concern, but substantial competition due to the fact that they have a good product which undersells us.

Q. Saturn? A. I don't know them.

Q. The Electric Company? A. The Electric Company is in Hartford, Connecticut, and competes

2664 with us chiefly on attachment plugs.

Q. Is it a large concern? A. It is a small concern, but they have designing ability which crops up every now and then in the way of a control switch on such things as toasters and material of that kind, which we feel once in a while.

Q. Federal Electric Company? A. I don't know them.

Q. Crouse Hinds? A. Crouse Hinds chiefly manufacture fittings. That is, they manufacture these street signs, and they manufacture, or they have

manufactured for them, switches and receptacles that will go on these fittings, for which we are also manufacturing.

Q. A large concern? A. A large concern; a very large concern, but small competition.

Q. H. J. White? A. H. J. White is a manufacturer of candle sockets, a small concern. I think they are located in New York. Not a very big competitor.

Q. Frank Morse? A. In Boston. He is chiefly a competitor on attachment and molded material.

Q. Large or small? A. He is fairly large. 2666

Q. Perkins? A. I don't know about them.

Q. Simeon Manufacturing Company? A. They are located in Bridgeport, Connecticut. He manufactures molded material and competes with us on weatherproof sockets.

Q. A substantial concern? A. substantial molding concern, and has quite a market on material in which he competes with us at a lower price.

Q. To what class— A. Jobbers.

Q. How would you compare with him in volume of sales in sockets, for instance? A. He only competes with us on one or two items.

Q. Knox Porcelain Company? A. The Knox 2667
Porcelain Company at first was a manufacturer of porcelain, and then they started to break into the wiring device line, specializing chiefly on material of which porcelain is the big factor, manufacturing lamp receptacles, porcelain sockets, porcelain receptacles of all kinds, and they recently added to their line a lot of molded material. Therefore they practically compete with us all the way through, only at very much lower prices.

Q. What class of trade? A. So far as I know, to the jobber entirely.

2668 *Harvey C. Pond—Recalled—Cross.*

Q. What about the quality? A. The quality is not as good as ours.

Q. How about the Treule Porcelain Company? A. I don't know anything about them.

Q. Wood Electric Company? A. C. D. Wood Electric Company, like a lot of the other companies, started in a small way, making a few items, and then added a few more, until they represent quite a substantial competition so far as the items paralleling our lines are concerned. It is a small concern, but considerably bothersome.

2669 Q. What class of trade? A. Jobbers.

Q. Where did you say they were located? A. In New York City.

Q. The National Metal Molding Company? A. They are like Crouse Hinds. They are a large concern manufacturing chiefly fittings that go on their own products, for which we also manufacture devices. In addition, they put out an outlet which competes with our convenience outlets.

Q. What class of trade? A. Jobbers.

Q. Appleton? A. Same class as National Metal Molding.

Q. Ajax? A. I don't know them.

2670 Q. Quadrangle Electric Company? A. They manufacture receptacles of various kinds, which compete with our flush receptacle line.

Q. Where are they located? A. I think they are in the West. I don't know exactly.

Q. Small or large? A. Small.

Q. They sell to what class of trade? A. I imagine to jobbers.

Q. The U. S. Electric Company? A. Started in a small way and has grown rather large. They are very substantial competitors on receptacles and attachment plugs, mostly molded material, not extending into switches and sockets.

Q. Utilo? A. Utilo is now out of business. At that time it was manufacturing attachment plugs, and proved to be quite a disturbing factor as to price.

Q. What class of trade did they sell to? A. They sold to anybody they could sell to.

Q. Small or large? A. Small.

Q. Carling Machine Company? A. Hartford, Connecticut. They manufacture attachment plugs and special switches, which would compete more directly with our appliances. A small concern.

Q. Heineman? A. I am not sure whether he is 2672
a manufacturer or a manufacturer's agent, but I think he has selling jobber rights for several concerns, among which is a flush switch, which is rather a cheap product, selling cheap prices.

Q. The Barber Electric Manufacturing Company? A. I don't know them.

Q. The Bulldog Company? A. Bulldog is a big concern, but I think they manufacture chiefly snap switches. I don't know where they would come in with competition with us.

Q. Where are they located? A. I think Chicago.

Q. King Manufacturing Company, Brooklyn? A. I don't know.

Q. Trumbull Vanderpool? A. Trumbull Vander- 2673
pool at that time manufactured plug cut-outs and switch gears of various kinds and descriptions. He has bought out Cutler Hammer now.

Q. What class of trade did it sell to? A. Jobbers.

Q. Substantial in the industry? A. So far as our line was concerned, they did not offer a great deal of competition.

Q. Frank Adams? A. Frank Adams manufactures panel board switches, competing with our appliance department. I think they manufacture fan hangers.

Q. Acme? A. I don't know.

Q. American Brass? A. American Brass & Copper Company, I think the name is; chiefly brass plates of all descriptions. A big name and a big brass manufacturer and very low in price.

Q. Sells to what class of trade? A. Jobbers.

Q. How do they compare in volume of sales? A. I would say they have us lashed to the mast.

Q. How about their quality? A. The quality has acceptance in the trade, and they do a raft of business.

2675 Q. Waterbury? A. The same history as the American Brass.

Q. Are they as large? A. I don't know, but they are substantial competition in the field.

Q. Trenton Electric Manufacturing Company? A. I don't know.

Q. Francis Keil? A. Francis Keil at that time manufactured flush switches at lower prices. A small concern, but substantial competition on account of low prices.

Q. What happened? A. I think he has gone out of the picture. Either failed or bought out.

Q. Brewer? A. Don't know them.

2676 Q. Marks Products Company? A. Marks Products Company, as far as competition, it is chiefly on attachment plugs.

Q. Connecticut Molded Products? A. Connecticut Molded Products, I think, has gone out of existence, but at that time they were in competition with us on attachment plugs.

Q. Trico Fuse Company? A. Fuse plugs, very cheap ones.

Q. Where are they located? A. I couldn't tell you.

Q. What class of trade do they sell to? A. Jobbers.

Q. Chapin Company? A. Chapin Company was in competition on flush receptacles and convenience outlets.

Q. Small or large? A. Small.

Q. What class of trade? A. Jobbers.

Q. Armstrong & White? A. Armstrong & White, I believe, like the concern we mentioned, the Knox Porcelain Company, were interested primarily in manufacturing porcelain, and through that they have gone into the wiring device business, so far as it uses porcelain, and they have become quite substantial competition in the field, on account of low prices, and their lines have constantly ex- 2678
panded, although they do not get into the brass shell game or the switch game.

Q. How do they compare in size? A. So far as we meet them they are small in capitalization, but do quite a bit of business with jobbers throughout the country.

Q. Best Electric Company? A. At that time they manufactured sockets, brass shell sockets, at very low prices, selling most anywhere they could sell.

Q. Are they still in business? A. I think not.

Q. Where are they located? A. I don't know.

Q. Yaxley? A. Located in Chicago, competing with us chiefly on receptacles manufactured for 2679
radio installation, that is, for radio connections.

Q. I notice one or two that you say the quality compares favorably with yours and the prices were cheaper. What attempt did you make to meet that competition? A. We hang on as long as we can, until we finally have to meet their prices.

Q. Is there an association of these manufacturers? A. Of those manufacturers?

Q. Yes. A. Not to my knowledge.

Q. Is there an association of electrical wiring device manufacturers? A. The only one I know of

is the National Electrical Wiring Manufacturers' Association, which is a trade association; which was called the Associated Manufacturers of Electrical Wiring Supplies, to which anyone is eligible.

Q. You don't know how many of these belong to that Association? Was this compiled from any association? A. No, it was compiled from the Underwriters' list of approved fittings, and on the basis of what information we got from the field from our branch managers, as well as from the classified list of manufacturers.

2681 Q. Out of that group, would you say the following were sold about the same quality and at approximately the same price: General Electric, Bryant, Hubbell, Pass & Seymour, Weber, Connecticut Electric—having sold in practically the same way, distributing it in the same way? A. I have already testified that the Connecticut undersold us on certain products in the switch and socket line, and sold at higher prices on our molded line.

Q. Outside of that correction, is that correct? A. Yes, those named, the quality compares and sold to practically the same class of trade and under the same price conditions.

2682 Q. Circle F., Paulding, Leviton, Monowatt, are the principal manufacturers that sell an inferior quality and sell it at much lower prices, or would you add some to that list? A. It is pretty hard to make a comparison.

Q. I am referring to those who carry a full line of wiring devices. A. I would include Standard.

Q. In that same group? A. Yes. Cutler Hammer belongs in that first group. They sold at practically the same price level that we did. We have included so far as the complete or partial lines go, the biggest competitors who undersold us.

Q. How about the Gaynor Company—all the concerns equal in quality but still selling at a lower price? A. You are not talking about complete lines?

Q. Practically complete lines. A. You have included them in one of the two groups.

Q. How about the Gaynor Company? A. They make plates.

Q. Those two groups are the principal manufacturers, and they fall into those two groups? A. Yes, on fairly complete lines.

Q. Since 1929, at the time this list was prepared 2684
that you have been talking about, what substantial manufacturers of wiring devices have come into the industry? A. Well, I don't know. It takes an investment to come into this business, as far as the complete line is concerned. It may take years and years of effort to make a company which would parallel you 50 or 75 per cent.; you take the molded plates, which is a very big item with us. Practically every molding company in the country realizes that his answer to profit is volume, and in addition to selling the molded parts he will go right in and make electric molded switch plates, and there are quite a lot of them that have come into the picture. 2685
The same with the porcelain manufacturers. They start in a small way and add to their lines.

(Discussion off the record.)

A. (Continued) For example, I have reports here sent in from time to time. Here is the Union Insulating Company, manufacturing weatherproof sockets. Here is another letter showing a sample of a competing switch of the National Manufacturing Company of Boston. Here is the Keystone Manufactur-

ing Company. Here is the Porcelier Manufacturing Company.

Q. Since you received reports of that kind, would you assume that the concerns that made a substantial inroad in the business force competition wherever they appear? A. Which we have met in this connection?

Q. Do you meet it or ignore it? A. We take cognizance, and if the competition becomes substantial we have to meet the prices, or go to a point where we can hold the business.

2687

Mr. Haycraft: So that there will be no further misunderstanding about it, I wish to withdraw the objection that I had along this line of examination and state for the record at this time that I think there is evidence to show an attempt to create a monopoly, and that I shall so urge upon the Commission in argument and brief from cross examination of this witness.

Examiner Reeves: It is almost six o'clock.

(Discussion off the record.)

Mr. Haycraft: I have no further questions to ask this witness.

2688

REDIRECT EXAMINATION BY MR. GROSS:

Q. Whether or not competition from manufacturers in this list, who made only a partial line is keen competition so far as your companies are concerned, and so far as each division is concerned? A. It is very keen competition.

Q. In other words, the fact that a company does not make a complete line does not in any way take them out of the field of being thorns in your flesh? A. Not at all. If there were several companies,

and if each company went after business it is equivalent.

Q. Whether or not the second group of companies who were making a cheaper quality, for instance like the Leviton class, whether they are just as strong competitors of yours as the companies in the first line, the higher class or quality manufacturers? A. They are. In fact, we sit around here trying to decide what to do to meet that competition from the trade, to let the business go or try to meet the various conditions that we find in the field.

2690

By Mr. Haycraft:

Q. When you say keen competition, what do you mean? A. I mean trying to get the business from others.

Q. That is your definition of keen competition, when you lose business to your competitors? A. Yes, sir.

Q. Is that usually by price? A. In certain cases; in certain cases, no.

Q. What other conditions would make keen competition? A. Personality, financial backing, and quality of goods. 2691

Q. Terms? A. Sometimes.

Q. Credit? A. Sometimes.

Q. There are concerns to whom you would not extend credit where others will? A. Yes. We had some during the period of the holding company, when the Arrow Company extended credit where the Hart & Hegeman Company would not, the same as the Baltimore Electric Supply Company, as I recall the situation at that time.

2692 *Harvey C. Pond—Recalled—Redirect.*

Q. Do you have a common credit man now? A. Yes.

Q. How long has that been? A. Since the merger.

Q. Since January, 1929? A. Yes.

Mr. Haycraft: That is all.

By Mr. Gross:

2693 **Q. Whether or not a large concern in the electric business, and not necessarily the electrical wiring device business, is unabled by virtue of having a more complete electrical wiring line,—constitutes them a source of greater competition in dealing with jobbers for a complete electrical line?**

Mr. Haycraft: Objected to as leading.
Mr. Gross: I withdraw the question.

Q. Whether or not there is real competition with concerns manufacturing and marketing electrical lines of which the electrical wiring devices are only a part?

2694 Mr. Haycraft: That is objected to for the same reason.

Examiner Reeves: The objection is overruled.

A. I can't understand—

Mr. Gross: I withdraw the question.

Q. Is the fact that the Cutler Hammer Company, as you testified, manufactures a fair number of electric goods, in addition to electrical wiring devices,

constitutes them for that reason a greater competitor than if they were only making a few electrical wiring devices which you say they make?

Mr. Haycraft: That is objected to for the same reason.

Examiner Reeves: Overruled.

Mr. Haycraft: Exception.

A. If I understand the question, you want to know—

Q. By reason of the fact that they also carry other goods which the jobber would carry, along the lines which you do not manufacture, outside the electrical wiring device industry. 2696

Mr. Haycraft: I object to the form of the question. The answer doesn't need to be suggested to him.

Examiner Reeves: The objection is overruled.

A. If I understand the question correctly, they have a very large line of motor control apparatus which was available to the jobbing industry. They got into the electrical wiring device industry to complete their line, and they brought pressure on jobbers of ours and other competitors to handle their line and throw out our line, and used as a lever for that purpose their large motor control line, with a great deal of success, and they at that time—well, their prices were more or less like ours, and used credit extension methods. 2697

Q. Is that generally true of manufacturers having electrical lines? A. It might or might not be.

2698 *Harvey C. Pond—Recalled—Redirect.*

Q. Whether or not the competition in the trade generally is keener today than it was five years ago?

Mr. Haycraft: That is objected to as calling for a conclusion.

Examiner Reeves: Objection overruled.

Mr. Haycraft: Exception.

A. I should say it is increasing every year this business goes on, because naturally every manu-
2699 facturer is looking for diversification in his products, just as we are. A great part of the product of the ordinary shelf goods items is composed of porcelain, bakelite and molded material, of which there are a great many manufacturers. You make low prices and long terms in order to get the production; all he needs to start in that business, you might say, is an assembly plant.

Q. This list from which you have been reading is not intended to give a full list of all the people in that industry who are competing with you? A. No.

BY MR. HAYCRAFT:

2700 Q. In spite of this keen competition do you refer to your organization as more than holding its own in the industry? A. I wouldn't say that.

Q. Do you not agree with Mr. Cook? A. Mr. Cook is speaking on the appliance angle, and I am for the shelf goods angle.

Q. It was for the entire business, as I understood the testimony.

Mr. Brown: I don't think he so testified.

BY MR. GROSS:

Q. Have you as large a proportion of the industry today as in 1928?

Mr. Haycraft: That is not the question I asked him.

(Mr. Haycraft's question was repeated by the reporter.)

A. I don't know whether Mr. Cook said so.

Mr. Haycraft: My recollection is that Mr. Cook testified that although the Arrow division did not maintain—did not hold its sales on shelf goods as well as the Hart & Hegeman division, yet both divisions had made a better showing than other concerns in the industry so far as decreased sales are concerned. 2702

(Discussion off the record.)

BY MR. HAYCRAFT:

Q. So far as the Hart & Hegeman organization is concerned, comparing your sales with the sales of your principal competitors, you are in a better position today than in 1927?

2703

Mr. Gross: I object to the question as calling for a conclusion.

Examiner Reeves: The objection will be sustained.

Mr. Haycraft: Exception.

Q. You are acquainted with the volume of sales from year to year of your organization? A. Yes.

Q. Of both divisions? A. Yes.

2704 *Harvey C. Pond—Recalled—Redirect.*

Q. Are you also acquainted with the sales of your principal competitors? A. No.

Q. You are not? A. No.

Q. How did your 1929 sales compare with the year 1927? A. They increased.

Q. And that increase was in the face of this keen competition that we have been discussing? A. That was due primarily to general business conditions, and perhaps also to the fact that the Arrow socket bolstered up the Hart & Hegeman sales, in which they were lamentably weak.

2705 Q. Regardless of the reason, it was accomplished in spite of competition which you described as keen? A. Yes.

Mr. Haycraft: That is all.

BY MR. GROSS:

Q. Did your sales between these two years go up in the proportion that the total sales in the industry in the United States went up? A. They did not. The percentage went down.

BY MR. HAYCRAFT:

2706

Q. Have you figured those percentages? How do you compare them? A. We compared them with the Census report.

(Discussion off the record.)

Examiner Reeves: The hearing will be adjourned to 10 o'clock tomorrow morning.

(Whereupon, at 6:15 P. M., June 18, 1931, the hearing was adjourned until 10 A. M., June 19, 1931, at the same place.)

Harvey C. Pond—Recalled—Direct. 2707

Conference room, Arrow-Hart & Hegeman Electric Company, 103 Hawthorne Street, Hartford, Connecticut.

June 19, 1931.

Met pursuant to adjournment, 10 A. M.

Before—WILLIAM C. REEVES, *Examiner.*

APPEARANCES:

E. H. HAYCRAFT, Attorney for the Federal 2708
Trade Commission.

CHARLES WELLES GROSS and WALLACE W. BROWN, of Gross, Hyde and Williams, 49 Pearl Street, Hartford, Connecticut, Attorneys for the respondent.

PROCEEDINGS.

HARVEY C. POND, was thereupon recalled as a witness, and having been previously duly sworn, 2709
testified as follows:

DIRECT EXAMINATION (Continued)

BY MR. GROSS:

Q. Proceed, Mr. Pond. A. The total combined sales of the Arrow Electric Company and the Hart & Hegeman Manufacturing Company, including export, intrastate sales to competitors and appliance and heater material was, for 1927, $7,953,766., and

2710 for the year 1929, for the new respondent, $8,173,884.

The figures as given for 1927 are adjusted to the audit figures given by Mr. Inch of $8,386,082 by deducting from those audit figures for a thirteenth month in the Hart & Hegeman Manufacturing Company sales, due to a change in their fiscal year. That month's sales amounted to $292,827. There was a further deduction of sales of the Electric Porcelain & Manufacturing Company of non-electrical materials, such as stove handles, amounting to $139,489., making a total deduction of
2711 $432,316.

Q. Then what, Mr. Pond, is the percentage of increase of the business of the new respondent for 1929 above the corresponding business of the two companies for 1927? A. The percentage of increase was three per cent.

Q. What was the corresponding increase in the census figures for the entire electrical wiring device industry, 1929 over 1927? A. 29 per cent.

Q. Referring to your testimony of yesterday, with reference to the question of relative size of some of those concerns on the list of competitors
2712 that you read into the record, of two years ago, from your knowledge of the sales management of this company, who is the largest manufacturer of sockets in the United States? A. The Leviton Manufacturing Company.

Q. Will you state some other instances of concerns which, while not making possibly a complete line make very large sales in comparison with yourself, as I understand it, in the trade on particular types of material? A. Well, as I explained yesterday, the size of the concern hasn't a great deal to do with the amount of competition that they may

offer us. By that I mean a small concern might start out as, for example, the Alcor Manufacturing Company in Chicago, and concentrate on one or two items. They might not be a substantial concern or have heavy financial backing, but concentrating on that one or two items at a price below ours they might very well,—and it is our opinion that they do—do considerably more business with the electric trade on candle sockets than our two companies do combined. That is also true of a concern like the Beaver Company in New Jersey. They concentrate particularly on such items as canopy switches, 2714
and due to that concentration and price advantage they did, without question, on canopy switches, more business than we did, the combined companies did. That is also true of the Standard Manufacturing Company. They also did more business on the canopy switches than the two companies did or both combined divisions did.

What I am trying to convey is that the size of the company does not necessarily have anything to do with the amount of competition.

Take particularly the porcelain companies, like the Knox Porcelain Company, and other porcelain manufacturers of the same character. They, due 2715
to lower prices throughout, do much more business on porcelain devices, such as receptacles, than we do. Each particular specialty house creates a market for that particular specialty which they are manufacturing.

Q. Now, the Standard Company. Is that increasingly active in the competitive field? A. They are. For a number of years they manufactured in competition with us chiefly switches, flush switches and surface switches, and they seem to be content to ride along at a five per cent. differential below

our prices, and they themselves have felt competition from other companies coming into the business. We get reports that jobbers are stocking both Standard sockets and Standard switches at considerably lower prices than we have to offer, and our field reports indicate clearly that the jobber trade, which is more or less the backbone of the business, is fast swinging to the policy of having two lines. In other words, a quality line and a cheap line, and is crowding us out of the jobbing picture, and it is a serious problem to us.

2717 Q. These instances would be illustrative of what you get by way of competition from a great many of these competitors who are featuring and pushing one particular schedule or one particular line of devices? A. That is true. I might say that while they start out as a so-called cheaper manufacturer offering material of perhaps of inferior quality, they constantly improve, and today most any of those brands have a fairly good acceptance with the trade, so that the differential of even five per cent. is enough to simply crowd us out of the picture.

Mr. Gross: You may inquire.

2718 CROSS EXAMINATION BY MR. HAYCRAFT:

Q. These three companies that you named, do they universally distribute all over the United States or are they locally constituted? A. They sell everywhere.

Q. They have salesmen calling on both jobbers and contractors? A. Yes, chiefly through commission agents, and they are all looking for lines. All they have to do is start a manufacturing company. I think they are scattered all over the country, and

they get a commission on what they sell. So they have a sales department right off the bat.

Q. The reports that you say you have, are they in writing or verbal? A. Both. In writing, and when they come in we talk over the competitive conditions.

Q. How long has that been true? These reports, that have come in? A. They have been constantly.

Q. I mean in this particular situation, this type of competition that you have described this morning? A. There is no time limit on that. Competitive conditions change year in and year out and 2720
from month to month, and have right along.

Q. That situation has existed right along? A. It has, but it has got worse and worse all the time.

Q. Do you have in mind any particular district manager who has made written reports? A. No, general reports from practically everywhere. When they come in, or we are in Boston, in Philadelphia or in New York, we naturally talk it over. The rest of them are in writing.

Q. Do you have those reports in your files? A. I presume I could find them.

Q. I would like to have those reports.

Mr. Gross: I submit you do not want to 2721
put these reports into a public official file for discussion by trade competitors.

Mr. Haycraft: I can't see any difference between that and the testimony. That is the best evidence of the conditions that exist.

Mr. Gross: I asked him whether that was the knowledge of the trade.

Mr. Haycraft: He said reports. He said he had reports from the trade.

(Discussion off the record.)

2722 *Harvey C. Pond—Recalled—Cross.*

Mr. Haycraft: I move to strike out the testimony.

Mr. Gross: If your Honor please, the gentleman has reported from his knowledge. It came partly in oral conversations and partly in writing. You cannot verify the basis for his general knowledge of the trade from an occasional written report from a manager, and I submit that those details are confidential, and ought not to be called for by the Commission, and they are not relevant, as they are not the basis
2723 for the obvious fact that this competition, which this man knows of, is increasing in the territory. Those papers won't show it is increasing.

Examiner Reeves: The motion to strike will be denied.

Mr. Gross: I object to the request to produce on the same ground, on the ground that they won't be more than merely a part of the experience of this man, who is general manager. They would be misleading if produced, and they are virtually confidential, which the Federal Trade Commission ought not to spread
2724 before the public.

Examiner Reeves: The objection is sustained.

Mr. Haycraft: Exception.

(Discussion off the record.)

Mr. Haycraft: I haven't any further questions.

Mr. Gross: That is all, Mr. Pond.

HAYNES L. EVEREST, was thereupon called as a witness, and having been previously duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. GROSS:

Q. Mr. Everest, at a previous hearing Mr. Pond, on behalf of the Arrow Division was requested to produce, and did produce, certain figures showing volumes of sales to certain common customers indicated, during the period of the 15 months of the old respondent, the change in volume between the two divisions indicating that solicitation of business by 2726
the Arrow reduced the Hart & Hegeman sales. Have you prepared a similar statement showing for that same period cases where it happened the other way, that H. & H. presumably took business which had been going to Arrow? A. I have.

Q. What is the first name on the list? A. Eastern Electric Supply Company.

Q. Taking the years 1927 and 1928, for the comparative figures of the Arrow Division, how much did the Arrow business sold to that company go down in the second year under the first? Have you got a table showing eight customers, illustrative of what we are speaking of? A. I have. 2727

Mr. Gross: I offer it.

Mr. Haycraft: Subject to check, I haven't any objection.

Examiner Reeves: This comparative statement will be received in evidence as Respondent's Exhibit 31.

(The statement was thereupon received in evidence and marked "Respondent's Exhibit No. 31".)

Mr. Gross: You may inquire.

2728 Haynes L. Everest—Recalled—Cross.

CROSS EXAMINATION BY MR. HAYCRAFT:

Q. That first concern that you have listed there, the Eastern Electric Supply Company. What explanation do you have to give for that increase? A. Intensive solicitation of the customer by the H. & H. Division salesman.

Q. Who was he? A. If I remember correctly it was Mr. Gabry.

Q. Who was the salesman for the Arrow Company? A. That I can't answer.

2729 Q. What makes you believe it was because of intensive solicitation of Mr. Gabry? A. Because Mr. Gabry reported to me, and I was in close touch with his activities.

Q. What did he say about it? A. I wouldn't go on record as repeating what a man said in 1927.

Q. Do you recall what inducement he offered to that customer to get the business away from the Arrow people? A. Except the general inducement that he was doing an aggressive job, that he was working for his living, and he had to have the business, and he was creating the demand.

Q. Did he make any price concession? A. No, sir.

2730 Q. Did he offer any better terms? A. Not to my knowledge.

Q. Did he offer and credit inducement? A. No.

Q. His quality was the same? A. Generally speaking.

Q. You are not acquainted with the Arrow salesman who called on that concern at that time? A. I wasn't interested in the Arrow salesman.

Q. You don't know whether he stopped calling or not? A. I have no way of knowing. We were interested only in the building up of the sales of our business.

Q. As a matter of fact, you had been selling that customer right along, substantially. A. I can't go back of 1927. I would assume the sales prior to that had been very slight.

Q. In 1927 they were substantial? A. According to a certain basis, but not according to the volume of business that that company was doing.

Q. Now, the Pittsburgh Electric Manufacturing Company, in Pittsburgh. You have listed that here as the second company. In that case your sales increased about $2,000. and the Arrow sales decreased about $4,000., but the sales of the Arrow Company were about $8,000. more than yours in 1928? A. That is correct. 2732

Q. Do you consider you took that customer away from the Arrow under those circumstances? A. Those figures are not designed with that customer to show that the total business was taken away from the customer, but inroads were being made to take the business.

Q. Isn't it an instance of where your sales increased and theirs decreased? A. It would not.

Q. Because— A. Because a definite effort was made to secure the business.

Q. What kind of business? A. Jobbing business.

Q. Any particular items? A. The entire line. 2733

Q. Who was your salesman on the job? A. Noll. I think he was the man.

Q. And who was the official of the Pittsburgh concern? A. Mr. Brown.

Q. What happened there that you know a definite effort was made to take the business away from the Arrow people? A. In the case of the Pittsburgh territory the situation was one that was very closely under the control of Hartford, in that I was personally watching the Pittsburgh developments,

and I knew the very case in Pittsburgh and in Pittsburgh territory where the salesman was operating, and in good measure directed the salesman's efforts as to where to go and get his business, to the best of my knowledge, I visited Pittsburgh a great many times during that period, and therefore when I say a direct effort was made to get the business, I know it of first-hand personal knowledge.

Q. What was the purpose of taking it away from Arrow? A. Because I was interested in building up the sales of the H. & H. Division.

2735 Q. At the expense of Arrow? A. I would say at the expense of anyone.

Q. But this particular concern was an Arrow concern? A. Yes.

Q. You were particularly interested to do it at the expense of Arrow? A. I considered him a vulnerable customer, and as such we went after the business.

Q. Why did you consider him— A. Just plain common sales sense would tell you that.

Q. Give me an illustration of what you mean by that. A. If you were ever a salesman I think I could explain it to you.

2736 Q. Well, I am a salesman. Go ahead. A. You know that in any line there are certain concerns where the management is more or less perhaps temperamental; they are not what you call the solid, hard, bedrock type. Your job as a salesman is to learn the characteristics and the different qualities of each one of the competitive jobbers with whom you are fighting for business, and when you find a jobber who shows a weakness in any line of approach, that is when you go after him hot and heavy to get his business.

Q. It was your idea, was it, that Mr. Brown was probably willing to give up the Arrow line if you could show him more money on the H. & H.? A. Mr. Brown, to my knowledge, was never approached to give up any line. He was approached on the basis that we were offering merchandise for which we had created and were creating a very definite demand, and our job was to sell the advantages to him, with the ultimate hope that he would push it.

Q. At that time he was pushing the Arrow line? A. To my knowledge.

Q. Did you offer him any inducement in the way of better price? A. I have outlined the inducements. 2738

Q. Those are the only ones? A. Purely one of salesmanship.

Q. You could not offer him better quality? A. I don't know whether the question of quality in this particular case was stressed.

Q. Don't you find as a salesman in this line, as well as any other line, that the element of service and price have pretty much to do with your ability to make a sale? A. You forgot one of the biggest elements, and that is personality.

Q. Personality will go a certain length, but haven't you found that a customer is rather slow to give up a profitable situation for the sake of personality? A. Personality alone, yes, but personality coupled with ability, the ability to sell himself, to sell the plan on which he was working, to build up the business, is a darn hard combination to beat. 2739

Q. At that time was the Arrow doing the same thing that you did in building up its business? At that time I wasn't very much interested in what the Arrow Company were doing.

2740 Q. You knew the Arrow Electric Company was owned by the same people who owned your concern? A. Absolutely.

Q. And you know that every dollar's worth of business that you took away would come out of the profits of that company?

Mr. Gross: I object to that. It is based on a conclusion which is not predicated on the facts.

Examiner Reeves: The objection is overruled.

2741 (The last question was repeated by the reporter.)

A. My answer is this, that my job was purely one of salesmanship, not of finances. I had a job to do, my job was to increase the sales, and I wasn't worrying very much about finances one way or the other.

Q. Did there come a time in the history of your contact with the Pittsburgh Electric Manufacturing Company that your desire to obtain business at the expense of the Arrow line was dissipated somewhat? In other words, are you as anxious to do
2742 that today as you were in 1927? A. I can see absolutely no change whatsoever in the policy. We continue as we were.

Q. As a matter of fact, your salesman takes Arrow orders, doesn't he? A. An H. & H. salesman takes Arrow orders?

Q. Yes. Whether he doesn't take orders for Arrow products? A. If he does so, it is unknown to me.

Q. Would you be surprised if he did? A. Yes, I would, very much so.

Q. Would you be surprised if the Arrow salesman took orders for the Hart & Hegeman line from your customer? A. Absolutely.

Q. Would it be possible for you to ascertain from your records whether that was so or not, to save a trip to Pittsburgh? A. I don't know, because the records are not entered here. As I recall it, the Pittsburgh orders are not entered here at Hartford. They are entered at our branch office at Philadelphia. Now, how those orders are sent in, I haven't any first-hand knowledge of. I do happen to know that just through an accident I saw an order the day before yesterday—two or three days ago—from 2744
the Pittsburgh Electric Company, but it was sent direct to Hartford, and it was sent to the Hart & Hegeman—I think in this case, Manufacturing Company, at Hartford. It is all for H. & H. material. Why any salesman of the H. & H. Division should take an order for the Arrow material, or why an Arrow salesman should take an order for H. & H. material is beyond my understanding, because there would be no sense to it.

Q. You could not determine it? A. I don't think so.

Q. Do you recall when the Hart & Hegeman Manufacturing Company first solicited business of 2745
the Pittsburgh Electric Manufacturing Company? A. I don't know.

Q. Would it be about seven years ago? Would that be about the time? A. I couldn't tell you back that far.

Q. Now, on the Roberts Empire Company, Houston, Texas. In 1927 your sales were approximately $5,000., and the Arrow sales $2,000., whereas in 1928 your sales increased and the Arrow sales decreased. What was the purpose of presenting these

figures, what did they represent? A. They represent that the H. & H. Company got in and took what business the Arrow had.

Q. But it was an H. & H. customer? A. No, I wouldn't say that, just because one concern—because one division earned three thousand and another five thousand, it doesn't belong to any one division.

Q. Well, you know as well as I do that some concerns are recognized as H. & H. distributors because they push it more than another line. That is what I mean, this concern was pushing the H. & H. 2747 line in 1927? A. If I remember correctly, the H. & H. concern went in originally and got the Roberts Empire business. I don't know whether they were handling Bryant or whose line. Texas was handled in 1927 by a direct commission representative, and I did not cover Texas. I don't think in that whole period of time I was in Texas once, but I know that he did take what Arrow business was there.

Q. Do you know why? A. Just the general basis, that he sold them the idea; that they had better handle the H. & H. line.

Q. You don't know whether conditions existed, whether there was some dissatisfaction with the 2748 Arrow—what the element was? A. I believe the element was purely salesmanship. Bob Wakefield sold Mr. Roberts the idea that it was to his advantage to sell the H. & H. line.

Q. What inducements would he offer? A. Simplification of stocks.

Q. Would he say it was the same thing as the Arrow line? A. The reverse condition would be true if the other man was as good a salesman.

Q. Would that one inducement—they are both the same quality and both made in the same fac-

tory? A. I take exception to that. I didn't say that. It was a logical business sequence. If a salesman can sell the jobber the idea that by concentrating on one line he is cutting his investment, his overhead, and giving a better service to his customers, coupled with the fact that the salesman or that representative of the line has created a demand and acceptance for the material, I would say he is doing a good sales job, and that is what salesmanship is. Salesmanship is a great deal more this than it is going out and getting somebody's business through special terms or inducements.

2750

Q. I don't know there is any question about what salesmanship is. A. You asked me this, how this business was transferred.

Q. And you are answering very satisfactorily. I am not quarreling at all with your testimony, because it is just exactly what I expected, so it is perfectly all right.

The New Jersey Electric Supply Company, of Newark. There are no sales of H. & H. in 1927, but in 1928 there were some sales, almost as much as were being sold by Arrow. Apparently he is endeavoring to split his business about equally with the two concerns. What is the purpose of that particular case? A. It is to show that the H. & H. salesman solicited the New Jersey Electric Supply during the year 1928.

2751

Q. You don't think he solicited before that time? A. He may have solicited him five or six years, for all I know. We very often have to solicit a jobber for many years before we commence to get a break.

Q. Do you have any personal knowledge as to what the situation was, and how he was able to get some of the business? A. I would say it was simply

2752 *Haynes L. Everest—Recalled—Cross.*

a case again of salesmanship, personally, creating a demand, selling the customer the idea that there is a demand and an advantage to handle that line created by that demand.

Q. You don't have any personal recollection of that situation specifically? A. In that particular case, that transaction and that work,—the direction of that work was handled by Wilson in New York. I only know what was accomplished; not the means.

Q. You don't know, then, whether or not the
2753 Arrow salesman relaxed his efforts, or just what happened? A. I don't know. If I did I would have been guilty of being a wide-awake manager.

Mr. Haycraft: I move to strike the answer out.

Mr. Gross: He might not like it, but it is responsive.

Mr. Haycraft: It is not responsive.

Examiner Reeves: The motion to strike is denied.

Mr. Haycraft: Exception, please.

2754 Q. Do you know who the Arrow salesman was? A. I don't.

Q. Do you know who was in charge at that time? A. I do.

Q. Who was? A. Deacon.

Q. Did you have any conversation with Deacon as to what instructions he had given to salesmen? A. No.

Q. On what do you base your answer, then? On general common sense? A. On business sense.

Q. Then your suggestion was based purely upon your idea of the situation, and not upon any in-

formation you obtained from any sales manager of the Arrow Company at that time? A. My information was based on what I would consider would be the action of any live, energetic sales manager.

Q. That, of course, would not take into consideration any executive policy governing both companies which were owned by the same financial owners? A. I don't see the point here.

Q. I am asking you whether that entered into your answer? A. Absolutely no.

Q. The Tomberg Electric Supply Company, 2756
Wilkes-Barre, Pennsylvania. There the Arrow decreased from $12,591. to $10,037. in 1928, and the Hart & Hegeman increased from $2,440. to $2,633. in 1928. What was the purpose of submitting those figures? A. To show the trend of activity was not until 1928, that this company, if I recall correctly, was intensively cultivated by the H. & H. salesman, and the subsequent figures were put in to substantiate the fact that this cultivation and intensive work undertaken in the year 1928 began to show—was beginning to show very materially by 1929, when a big drop in one division was noted and a big increase was noted in the other. 2757

Q. Do you have any independent recollection of that situation there so as to explain the change? A. I recall that the matter was talked over between myself and the district manager, and at that time he made up his mind to make a determined effort to get that business.

Q. And at the time you knew the bulk of the business was going to the Arrow Company? A. As far as I know.

Q. Can you explain, or was any explanation given you by your superior why you were to make a spe-

cial drive on Arrow customers in 1928? A. I had no instructions to make any drive on any type of customers in 1928.

Q. How does it happen in the testimony on all these companies that 1928 was the first time that you determined to solicit them? A. I have just pointed out two or three individuals. If I had started from New York and got to San Francisco and enumerated the number of jobbers on whom we were concentrating or trying to concentrate it would be a long list. Another thing, it is very
2759 difficult to pick any jobber and definitely state that activity to secure that jobber's business started at a certain definite period.

Q. I understand that, and that is the reason why I am asking you to explain that. A. These concerns are only the ones that I know definitely that such activities were undertaken, and the results are borne out by the actual showing in figures. There were a great many other concerns in the country that were handling Arrow products that we were definitely and aggressively going after in 1927 and 1928, but to reduce those accounts to the point where they would show definite figures or
2760 figures showing a marked change in business would be a little difficult to secure.

Q. I understand that, Mr. Everest, but in the case of this one and the others you testified to, you say you have made no effort prior to 1928, no special effort, to get that business. Now, I ask you why it was that you made this special effort? A. I don't recall putting in the record the statement that we made no effort prior to 1928.

Q. No special effort? A. No special effort. I made the statement that in 1928 this thing that

happened to come up in the case of one or two customers.

Q. Are you attempting strenuously today to secure the balance of the Arrow business as you were in 1927, 1928 and 1929? A. I would state definitely that the policy with regard to none of these concerns we discussed has changed absolutely in any way.

Q. The Carolina Electric Supply Company, in Spartanburg, South Carolina. I notice there that the Arrow sales in 1927 were $1,754., and in 1928 $520., whereas the H. & H. in 1927 was $59, and 2762
in 1928 it was $753. What was the purpose of selecting that? A. The reason for putting that in is to show that in 1927 the Arrow Electric Company put an embargo on the Carolina Electric Supply Company and did not solicit or care to get any more business, from a credit standpoint. The H. & H. credit organization—I got in direct correspondence with Mr. Long of the company—and they went on record as feeling sure that the company was good, and we actively solicited his business.

Q. At that time the two concerns had two credit organizations? A. Yes.

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Q. At the present time that would not happen? A. That would be a hard question for me to answer.

Q. You have a common credit department? A. Yes.

Q. The Electric Corporation of Los Angeles? What was the purpose of submitting the sales figures with reference to that concern? A. A very definite drive was made by the Pacific Coast representative to secure the business of that corpora-

2764 *Haynes L. Everest—Recalled—Cross.*

tion, and that they were successful in this is, I think, clearly borne out by the figures.

Q. Do you know how strenuously the salesman of the Arrow people tried to keep the business? A. Knowing the calibre of the organization and the Arrow representative, I would say that they fought like—

Q. Do you know why a special drive was made on that concern in 1928? A. No other reason than it looked like a good prospect to the H. & H. sales organization, and they hopped to it with all their
2765 force, and I do know that the business was bitterly fought for.

Q. The Southern Equipment Company at San Antonio, Texas. Was that Hart & Hegeman in 1927 and pushing Hart & Hegeman products? A. I can't tell you exactly what the status of the Southern Equipment Company was in 1927, or whether the total volume of business as shown there represents the total purchases. I do know that the same conditions surround the Southern Equipment Company as hold true with the Roberts Empire Company at Houston. There was a determined effort on the part of Wakefield to increase his business, spurred on by the fact that I was driving him hard
2766 to increase his business.

Q. In both of these Texas concerns now, I believe from the testimony of Mr. Saladine yesterday, are under combination salesmen, at the present time? A. As far as that is concerned, I get into there very little. Mr. Saladine handles these particular sales conditions that you refer to, but I would say to the best of my knowledge that is exactly what has happened there.

Q. What is the situation in Spartanburg, South Carolina? Did both divisions have salesmen calling

on customers there? A. I don't know. There isn't enough down there to pay for one.

Mr. Haycraft: That is all.

REDIRECT EXAMINATION BY MR. GROSS:

Q. These tables which you have prepared and submitted, as to an increase of business of Hart & Hegeman, and showing a decrease of Arrow business, could be duplicated as to showing your efforts as against Pass & Seymour or Hubbell or other 2768 competitors throughout the country? A. They could.

Q. In other words, I don't know but that my learned friend thought that you would make a particular drive against Arrow, but the same drive would be against any other competitors throughout the country? A. Against any manufacturer.

RECROSS EXAMINATION BY MR. HAYCRAFT:

Q. Would you say that your salesmen would not offer any more inducement to the customers in attempting to get business away from Pass & Sey- 2769 mour or General Electric or Bryant or Hubbell or other concerns, that you just referred to in your testimony with respect to Arrow? A. That is a pretty long-winded question.

(The last question was repeated.)

A. I am afraid that from what I have heard that I am a little old-fashioned in my sales ideas. I wasn't brought up to the fact that salesmanship or the solicitation of business depended upon going to a

customer and offering him some monetary inducement that he wasn't already getting. We train our salesmen along the line that they have the best product, and for years concentrated on the fact of developing in the minds of the trade, the consumer trade, a demand for those products.

Q. Your salesmen in soliciting business from a recognized Arrow jobber or concern that is handling Arrow goods preponderantly would not tell the customer that the Hart & Hegeman quality was any better than the Arrow quality? A. It is con-
2771 sidered very unethical in soliciting business to say that your goods are better than some make of another company. That has been frowned on by the United States, by, I believe, Mr. Hoover, and we consider that unethical in sales.

Q. Would you tell him that the Hart & Hegeman line was obtaining better support in the manner of getting business from electrical contractors than the Arrow line? A. Again you bring in the question of comparing our sales activities with any one line. We always stress to our salesmen the fact that they must sell on the merits of the goods, and not pull anybody else's goods down or pull any
2772 other concern into the argument. I sold goods for 14 years, and I never carried a competitor's sample to show how much better our stuff was, or to refer to a competitor, implying in any way that he might not be or his goods might not be; simply that through my own ability I could sell the idea that our goods were better. I wasn't interested in anybody else's goods.

Q. They had to be better than someone's goods in order to convince? A. Better than the field.

Q. Of course you knew what the particular customer was handling? A. So did he.

Q. So there was no question between you and the customer as to what was in your mind when you approached him. If I am correct in understanding your testimony—if I am wrong, I want you to correct me—it is your contention that the competition between your concern, that is, the Hart & Hegeman Company, and now the Hart & Hegeman Division, and the Arrow is as strenuous and as keen and as strong today, and has been for the past four or five years as it was before October, 1927, is that correct? A. As far as I have any knowledge, that contention is absolutely true.

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Q. And in making that statement you took into consideration that since October, 1927, the same people own and control both concerns and that both divisions are operated by one concern; the goods are exactly the same; you have a common sales manager, common sales division managers and, in some instances, combination salesmen?

Mr. Gross: I object to the last inference, the "in some instances".

(Discussion off the record.)

Examiner Reeves: Does counsel for the Commission desire to modify his question?

Mr. Haycraft: No, sir.

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Mr. Gross: I object to it as not borne out by the testimony.

(Discussion off the record.)

Examiner Reeves: The objection is overruled.

(The last question was repeated.)

Examiner Reeves: The question is, were all those elements taken into account in your previous answers?

The Witness: They most certainly were.

Mr. Haycraft: That is all.

Mr. Gross: That is all.

2776 *Thomas A. Inch—Recalled—Cross.*

THOMAS A. INCH, was thereupon recalled as a witness, and having been previously duly sworn, testified as follows:

CROSS-EXAMINATION (Con't.) BY MR. HAYCRAFT:

Q. I believe yesterday, Mr. Inch, I asked you to secure for me the basis of the transactions between the Arrow Electric Company and the Hart & Hegeman Manufacturing Company whereby the former were making sockets and plugs and receptacles during 1926 and 1927 which you took into account when
2777 figuring the saving that was realized by the Hart & Hegeman concern as a result of having these products manufactured by the Arrow in succeeding years, 1928 and 1929. Have you done so? A. Yes, I have. I find in the year 1925, 1926, 1927, that the Paiste Company billed the Hart & Hegeman Company at the regular selling prices less five per cent., but when the Arrow Electric Company took over the manufacture of the Paiste line they billed the Hart & Hegeman line at regular selling prices less six per cent.

Q. The Arrow people were not allowed as large a profit as the Paiste concern? A. One per cent.
2778 less.

Q. Were the market conditions about the same during those three years? In other words, was the selling price of the commodities running about the same? A. I can't answer that question. There possibly may have been a reduction in selling prices during that year, but I don't know that.

Q. I think it was a rising market all the time until I think 1927 or 1928. A. I assume the market condition brought the prices down.

Q. Then, the other matter was the division of your figures in 1925, 1926, 1927 and 1928, with

respect to the manufacturing profit and net profit of the Arrow and Hart & Hegeman concerns, and later the two divisions, which you gave yesterday—the combined figures which you gave yesterday. Do you have that? A. Yes. I have the figures for the years 1925 to 1929, inclusive, now separated as between the Arrow Electric Company and the Hart & Hegeman Manufacturing Company, and the respective divisions for that period.

1925, Arrow Electric sales, $4,392,000. The manufacturing cost of the goods sold, $2,750,000. The manufacturing profit, $1,642,000., or 37 per cent. of the net sales. 2780

The Hart & Hegeman Manufacturing Company, for the year 1925: Net sales $4,242,000; manufacturing cost of goods sold, $2,973,000, leaving a manufacturing profit of $1,269,000., or 30 per cent. of the net sales.

The year 1926, Arrow Electric Company, net sales $4,012,000 manufacturing cost of goods sold $2,443,000, leaving a manufacturing profit of $1,569,000., or 39 per cent. of net sales.

1926, Hart & Hegeman Manufacturing Company, net sales $4,153,000, manufacturing cost $3,036,000, leaving a manufacturing profit of $1,117,000, or 27 per cent. of net sales. 2781

In 1927, Arrow Electric Company, net sales $3,849,000; manufacturing cost of goods sold, $2,498,000, leaving a manufacturing profit of $1,351,000., or 35 per cent. of net sales.

Hart & Hegeman Manufacturing Company, for the year 1927, net sales, $4,537,000.; manufacturing cost of goods sold $3,211,000., leaving a manufacturing profit of $1,326,000., or 29 per cent. of net sales.

2782 *Thomas A. Inch—Recalled—Cross.*

In the year 1928, Arrow Electric Company, net sales, $3,537,000.; manufacturing cost of goods sold $2,336,000.; leaving a manufacturing profit of $1,201,000., or 34 per cent of net sales.

Hart & Hegeman Manufacturing Company, net sales, $4,478,000.; manufacturing cost of goods sold $2,883,000., leaving a manufacturing profit of $1,495,000., or 34 per cent. of net sales.

Year 1929, Arrow Electric Division, net sales, $3,584,000., manufacturing cost of goods sold, $2,306,000., leaving a manufacturing profit of $1,278,000., or 36 per cent. of net sales.

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Hart & Hegeman Division, year 1929, net sales, $4,599,000.; manufacturing cost of goods sold $3,012,000., leaving a manufacturing profit of $1,587,000., or 35 per cent. of net sales.

Of course, your manufacturing profit is before deductions for selling expense, administrative expense, taxes, both Federal and State, income from investments, and certain other non-operating items are made.

Q. Do you have the net profit for these years? A. 1925, net profit, Arrow Electric Company, $753,000 or 17 per cent. of net sales.

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Hart & Hegeman Manufacturing Company, $549,000 or 13 per cent. of net sales.

1926, Arrow Electric Company, $690,000 or 17 per cent. of net sales.

Hart & Hegeman Manufacturing Company, $395,000, or 9 per cent. of net sales.

In 1927, the Arrow Electric Company, $500,000., or 13 per cent. of net sales.

Hart & Hegeman Manufacturing Company, $370,000., or 8 per cent. of net sales.

Year 1928, Arrow Electric Company, $600,000., or 13 per cent. of net sales.

Hart & Hegeman Manufacturing Company, $639,000., or 14 per cent. of net sales.

In 1929, Arrow Electric Company Division, $585,000., or 12 per cent. of net sales.

Hart & Hegeman Division, $768,000., or 18 per cent. of net sales.

Q. Do you have any record there which would enable you to answer or explain the drop in net profits in 1927 of both concerns? I think I asked you that question yesterday? A. I haven't got around to that, but I can investigate it for you. I imagine there were some large expenses of the holding company, and there were probably some inventory items, getting rid of material. 2786

Mr. Haycraft: That will be all.

Mr. Gross: That is all.

GEORGE S. STEVENSON was thereupon called as a witness, and having been first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. GROSS: 2787

Q. Where do you live? A. 65 Forest Street, Hartford.

Q. And what is your business? A. I am the senior partner in the investment firm of Stevenson, Gregory & Company. We are members of the New York Stock Exchange.

Q. And the firm is located in Hartford? A. Yes.

Q. With branch office in— A. In New Haven.

Q. Where did you serve your apprenticeship as a financial and investment broker? A. I entered the

2788 investment field as a salesman for Lee, Higginson & Company, in the Boston office. I was sent by them to Hartford to manage that business in Connecticut in 1915. I remained as Connecticut manager for them until the early part of 1921, when I was elected treasurer of the Society for Savings, a mutual savings bank in Hartford, which, incidentally, is the largest mutual savings bank in New England outside of Boston, having resources of over $70,000,000.

Q. The treasurer of the Mutual Savings Bank—

2789 A. He is the executive officer. I resigned from the Society for Savings in April, 1927, to become one of the senior partners of the firm Thomson, Fenn & Company, located in Hartford.

Q. The firm of Stevenson, Gregory & Company is the same firm under a new name? A. Mr. Thomson retired in 1928 and the firm now is the successor firm, and I am now the senior partner.

Q. Are you a director of the Hartford Fire Insurance Company? A. Yes.

Q. Of the Hartford Accident and Indemnity Company? A. Yes.

Q. Of the Phenix Mutual Life Insurance Company? A. Yes.

2790 Q. Of the Hartford National Bank and Trust Company? A. Yes.

Q. Of the First National Bank of Boston? A. Yes. Also of the old Colony Trust Company in Boston.

Q. Are you a member of the New England Governors' Railroad Committee, being one of the Connecticut representatives? A. Yes.

Q. Which committee is the committee studying the question of unification of ownership of all the New England railroads? A. Yes. I have some other directorates, if you want—

Q. I would like to qualify you as— A. I am a director of the Bankers Trust Company of Hartford. I am a trustee of the Society for Savings in Hartford. I am trustee of Smith College, and chairman of the Investment Committee of the Trustees of Smith College, and I am a director in this company, the Arrow-Hart & Hegeman Electric Company. I guess there are some others, but I can't remember them now.

Q. In 1927 did you become familiar with the fact of the death of Shiras Morris, the president of the Hart & Hegeman Manufacturing Company? A. I remember that one of the first subjects that came up for discussion in our regular partners' meetings in the firm of Thomson, Fenn & Company, was the question of what could be done with the Hart & Hegeman Manufacturing Company, Mr. Shiras Morris having died in February, before I became a partner in the firm. It seemed to all of us desirable, of us in the firm, to find a way, if we could, to do the financing, which became necessary, since Mr. Shiras Morris himself was a very large stockholder in Hart & Hegeman, and his estate was therefore under the necessity of a liquidation of some of that stock, if not for tax purposes, then for diversification purposes, and since he had established, as we understood, one or two trusts containing that stock for his children—we discussed the matter a good deal. Particularly, of course, we hoped that out of it would come the kind of business upon which we make a living, the buying and selling of securities; but we finally made up our minds that we did not dare enter it with the idea of creating a security that could be sold to the public, because Mr. Morris had been almost everything in the company, in the manufacturing and selling way.

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2794 *George S. Stevenson—Direct.*

Mr. Samuel Williams was a strong man, but his specialty was on the financial side. We finally gave up hope of being able to perform the financial service there safely.

Q. Then when did the question come to your attention again, the next time? A. The next thing that happened having a bearing upon the present subject was that early in June Mr. Edward R. Grier came into my office and said that he was contemplating the issuing of preferred stock of the Arrow Electric Company, and stated that he and
2795 his associates, who owned all the stocks, had worked hard for more than twenty years—I think it was established in 1905—and had put the money back into the company, and now the time had come, as they were getting older, when they wished to diversify their investment, and he and his associates were planning to issue to the public preferred stock, the proceeds of which, according to the common stockholders, could be used for a diversified list of outside investments. I at once became interested, because I knew of the success of the company. We had several conversations, and finally it developed into this plan of issuing $2,000,000 6½ per cent.
2796 preferred stock, that stock to be issued to the common stockholders and the common stockholders to sell it to us at a certain price, and we would sell it to the public at an advanced price. Mr. Grier had had a pleasant relationship with the Bankers Trust Company of New York, and it seemed to him and to us desirable that we bring the Bankers Trust Company into the situation in order to take advantage of their experience and capacity, and terms of the issue were set up by the Bankers Trust Company and ourselves in collaboration. The Bankers Trust Company did not participate in the re-

tailing, because of the policy of not selling preferred stock. We formed a syndicate, consisting of Connecticut houses, Thomson, Fenn & Company managing it. The other members were Putnam & Company of Hartford, Charles W. Scranton Company, of New Haven, Edwards, Marrill & Company, of Hartford, Roy T. H. Barnes, of Hartford, and R. T. Griggs Company, of Waterbury, constituting some of the leading firms in Connecticut.

Q. Most of them members of the New York Stock Exchange? A. The following are members of the New York Stock Exchange: Thomson, Fenn & Company, Putnam & Company, Marrill & Company, Charles W. Scranton & Company. 2798

The issue of preferred stock was a complete success, it having been sold by two o'clock on the day of issue.

That was June 28, 1927, payment to be made in the early part of July. During the negotiations with Mr. Grier, I had brought up the question whether it would be possible for him to take the Hart & Hegeman situation under his care, so that it might be handled for the sake of the situation in Hartford. He at the time I spoke of it was not interested. After the sale of the preferred stock I went to my summer place in Maine, but came back on the day when the transaction of the $2,000,000 issue was to be cleared. I told Mr. Grier—I called him on the telephone and said I was back, and I went out to see him to make sure that everything was in order. That day he brought up the question which I had brought up to him, of the possibility of caring for the Hart & Hegeman situation. We had a long talk about it that day and on succeeding days. I became very much interested and put my time on to that question. After a series of con- 2799

2800 ferences we worked out a plan whereby it would be proposed to the stockholders of the Arrow Electric Company and the Hart & Hegeman Manufacturing Company that the companies be affiliated. The proportion initially worked out was for the capitalization to be in the ratio of 60 Arrow and 40 Hart and Hegeman. That made necessary a recapitalization of Hart & Hegeman. The plan was ultimately presented to the stockholders of both companies, and approval was given unanimously for the plan.

2801 Involved in the plan was the purchase from the widow of Shiras Morris of as large a part of the late Mr. Morris' holding as she wished to dispose of. She was in Maine, and I made a trip to see her and offered her a certain price for her holdings or any part of them which she wished to dispose of, and I suggested that she take sufficient time to think it over and to talk it over with her adviser. My offer was subject, of course, to market changes which would make impossible the marketing of the securities.

She returned from Maine later in the summer, and after various conferences she agreed to sell to us the larger part of her holdings, and the stock 2802 she would sell to us would be the stock resulting from the capitalization of the company. The common stock was readjusted to make a par value of $500,000, and the old preferred stock outstanding was to be retired and a new issue of 6½ per cent. preferred stock was to be sold to the public to the amount of $1,333,000, giving Hart & Hegeman an outstanding preferred stock in the ratio of 40 to the 60 outstanding preferred stock of Arrow.

The plan, as Mr. Grier and I and our adviser talked it over, was that the common stocks of the

two companies should be put into a holding company. Mr. Grier's reasons for that, which I came to agree with after he had set them forth, were that he wished to preserve the proprietary value of the separate trademarks, t' Arrow and Hart & Hegeman. He thought there was a great value which should be maintained, and I came to agree with him. I should say that when Mrs. Morris came back from Maine some time in August, when we had our conferences, we had an unfortunate episode with Dillon, Read & Company. A Mr. Goldthwaite, representing Dillon, Read & Company, 2804
came to Hartford just about as we were to close our negotiations with Mrs. Morris and with the Trust Company which held the late Mr. Morris' trusts. He had the plan of putting the Hart & Hegeman and Arrow with two or three other and larger companies. That appealed to few of us, and after some acrimonious discussions, in which Goldthwaite offered a very much higher price than we were offering, and the price which we offered we figured was the top price, as much as it possibly could be worth, Mrs. Morris and her advisers decided not to accede to the Dillon, Read plan. But while the discussions lasted they were quite uncom- 2805
fortable.

Q. What were the objections to the Goldthwaite plan?

Mr. Haycraft: That is objected to as not within the issues of this case. That is a matter of business transaction that took place in this witness' office. I can't see where that would have anything to do with the issues involved in this proceeding.

2806 *George S. Stevenson—Direct.*

Mr. Gross: My thought was, if your Honor please, with the history of these negotiations I wanted to bring out why this plan was better than the other plan, and therefore what the conditions were which, in the opinion of Mr. Stevenson, and Mrs. Morris, led them to feel that it was best for the Morris interests to accept that plan.

Examiner Reeves: The objection is overruled.

Mr. Haycraft: Exception.

2807 A. Mrs. Morris and her advisers agreed with the point of view which we stressed in our conferences, that here was a Hartford industry, upon which many Hartford people were dependent upon for a livelihood, and which has been well-known in the past, and there was a good future for it through its affiliation with the Arrow Electric management, and for the sake of all of us in Hartford it was not fair to sell out to an absentee management. Many of Mrs. Morris' advisers were able men who took that broad-minded point of view, for the sake of the community, but it was only on the basis of the Hart
2808 & Hegeman finding the management which it needed with the Arrow Electric management. The plans went through. The million and a third Hart & Hegeman preferred stock was underwritten by our house and enjoyed an immediate sale by the same group, by the same banking group as had handled the preferred stock of the Arrow Electric Company. We took up Mrs. Morris' stock, which amounted to just under 40,000 shares.

Q. Speaking of the— A. Speaking of the new stock.

Q. Of which company? A. Of the new company, the holding company. Let me say it in another way. The holding company was created to take to itself all the common stock of both the Arrow Electric Company and the Hart & Hegeman Manufacturing Company. There resulted from the readjustment 200,000 shares of stock of Arrow-Hart & Hegeman, Incorporated, of the holding company. Of the 200,000 shares, Mrs. Morris' part was just under 40,000 shares, and in accordance with our agreement we bought that from her and paid for it with the exception of 8,000 shares, which at Mrs. 2810
Morris' request were allocated for subscription at the price which Mrs. Morris received, to the employees.

Q. Of Hart & Hegeman? A. Of Hart & Hegeman. That was in deference to the memory of Mr. Morris, to whom the employees had been loyal. That left us with just under 32,000 shares of stock of the holding company, which were put on the market one morning and which were sold throughout Connecticut by the same syndicate as handled the two issues of preferred stock, but with the addition of the firm of Fuller, Richter, Aldrich & Company, of Hartford. As I remember, that stock was sold 2811
by the middle of the forenoon. All three of those issues were sold very broadly, mostly to people of Connecticut, in very small amounts.

Now, that is an account of our connection with the refinancing of the Arrow Electric Company, the Hart & Hegeman Manufacturing Company and the holding company.

Q. Was the common stock of the holding company when organized and its stock distributed through your syndicate listed on the Hartford Stock

Exchange? A. Yes, all issues were listed on the Hartford Stock Exchange.

Q. And actively traded in? A. Yes, and there has ever since been an active market in them.

Q. Since the dissolution of the old holding company and the consolidation of the operating companies, on January 1, 1929, has the common stock and the preferred stock of Arrow-Hart & Hegeman Electric Company been widely held? A. Very widely held? A. Very widely held, with a very active market.

2813 Q. The preferred stocks of the Arrow Electric Company and the Hart & Hegeman Manufacturing Company, to which you refer, as distributed through your firm, were they also widely distributed to the public? A. Very widely distributed, mostly many small investments.

Q. Were they actively traded in? A. Yes. It would be very rare that there would be a sale of 100 shares. Mostly 10 shares, 20, or 25.

Q. And it was so held and traded in until the exchange of that preferred stock by the public for the preferred stock of the new consolidated corporation? A. Yes, and the preferred stock, as well as

2814 the common stock of the new consolidated corporation, was widely held. The market is less active now because people who own them are indisposed to let them go. We have buying orders more than we are able to fill.

CROSS-EXAMINATION BY MR. HAYCRAFT:

Q. Were you acquainted with Shiras Morris during his life? A. Yes.

Q. Did he ever discuss with you the matter of affiliating his organization with any company? A.

Never with me. I wasn't close enough to him to justify that. He was a good friend of Thomson, Fenn & Company, but I did not enter that firm until after Morris' death.

Q. He wouldn't logically or naturally discuss such matters with you prior to his death? A. No, there would never have been occasion for it.

Q. How did the matter come up for discussion in the office of Thomson, Fenn & Company? A. James R. Thomson had a brother, Douglas H. Thomson, who had been killed in an automobile accident the fall before. Mr. Douglas Thomson and 2816
Shiras Morris were close friends. Mr. James R. Thomson, therefore, on account of his brother's friendship for Shiras Morris, had a good deal of interest in the Hart & Hegeman Company,—sentimental interest isn't the word—I mean a friendship for the affairs of the company. Shiras Morris was one of our strong men here, and the strong men get around, and after his death it was on the mind of all his friends how this thing could be kept going in the masterful way in which he kept it going.

Q. Were you acquainted with Mr. Williams? A. A. Yes, I have been.

Q. He became president of the company? A. Yes, 2817
he did.

Q. Did you keep in touch at all with the financial affairs of the company from February, 1927, down until October, 1927? A. No, I did not join my present firm until April.

Q. Well, from April, then? A. In so far as I could. Of course we were interested in everything pertaining to it. We gave up hope of being able to handle it. The thing which we must ask first, when we do a piece of financing, is, what is the manage-

ment going to be? We stand no chance of working out the management problem.

Q. Did you have any confidence in Mr. Williams? A. Mr. Williams is respected by everyone he has come in contact with, and has had the reputation of being qualified to do his job, but his job was never management. He was a financial man.

Q. Wasn't he the sales manager? A. I don't know that.

Q. As a matter of fact he continued to manage the company for years after? A. Yes, he did.

2819 Q. And had associated with him Mr. Guett and Mr. Cook? A. Yes, good men. That is a question of business judgment, and we in our firm wanted to exercise the best business judgment.

Q. No proposal had been actually put to you; no stock issue had been suggested? A. Except that we knew that the stock was for sale.

Q. That some adjustment would have to be made? A. Yes. We had to buy the stock, and we did not want it for our own company. We bought and sold to the public, and in order to do that we have to have a picture which the public will accept. I would have been willing to buy that whole company

2820 if I had the money to spare, but when you are saying to the public and to your friends, "Buy this," you have to have a pretty sound picture.

Mr. Haycraft: That is all.

Mr. Gross: That is all.

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SAMUEL P. WILLIAMS, was thereupon recalled as a witness, and having been previously duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. GROSS:

Q. I show you, Mr. Williams, the record book labeled, "Minutes of Arrow-Hart & Hegeman, Incorporated", and ask you to identify that book. A. This is the complete corporate record of Arrow-Hart & Hegeman, Incorporated.

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Mr. Gross: I offer that, Mr. Examiner, under the same arrangement as in the other case, that I will have it introduced and then substitute a complete transcript of the books.

Examiner Reeves: This book will be received in evidence as Respondent's Exhibit No. 32, with leave granted to withdraw the book and substitute in lieu thereof a transcript of its contents.

(The book referred to was thereupon marked "Respondent's Exhibit No. 32 for identification".)

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Q. I show you, Mr. Williams, a folder labeled, "Complete copy of the record book of Arrow-Hart & Hegeman, Incorporated," and ask you what that contains? A. This contains a complete set of the minutes of Arrow-Hart & Hegeman, Incorporated, taken from the record book which I just identified. It has been read back and found complete.

Q. And does this copy also contain every other document which is a part of the minutes? A. It does.

2824 *Samuel P. Williams—Direct.*

Mr. Gross: That may be marked, if your Honor please, as the substituted copy.

Examiner Reeves: This document, identified by the witness, will be received in evidence as Respondent's Exhibit 32, and will be received in lieu of the original record book identified by the witness, which is withdrawn.

(The document was thereupon received in evidence and marked "Respondent's Exhibit No. 32".)

2825 Q. Were you one of the incorporators of the company, the old respondent? A. I was.

Q. Were you present at all the meetings of the corporation? A. Yes, sir, I was present.

Q. Who was secretary of the corporation? A. Benjamin C. Perkins.

Q. And Mr. Perkins died here early in May of this year? A. Just before we started these hearings.

Q. Or late in April? A. Yes, but I can't tell you the exact date.

Q. I mean, as a part of your duties, the functions which you performed, has it always been your province to supervise the preparation and examination
2826 of all records in the nature of corporate records of the companies with which you were connected? A. Yes.

Q. Were you familiar with the minutes of this company and the proceedings recorded therein as Mr. Benjamin C. Perkins was? A. Oh, yes, I was quite as familiar with it as he.

Q. Were you a director of the company? A. Yes.

Q. And an officer of the company? A. Yes.

Q. Does that record book, Exhibit 32, contain a record of every corporate act of the old respondent? A. It does.

2827

Q. The old respondent, whose acts are recorded in this book, was not engaged in business? A. No, they transacted no business and paid no salaries. Q. It was a financial transaction of receiving and distributing dividends? A. Yes.

Q. Dividends on the common stock of the two operating companies which it in turn disbursed to its stockholders? A. That is right.

Q. Whether or not its only other function was that the financiers on the board gave of their financial knowledge in an advisory capacity to the two operating companies for investment of their surplus? A. That is true.

2828

Q. Does the book contain a record of every agreement of every obligation undertaken by it in a corporate capacity? A. Yes, sir, it does.

Q. I call your attention to the meeting of the board of directors of the old respondent of November 10, 1928:

"The president stated that the meeting was called to consider and take action upon the termination of the corporate existence of the company, the distribution of its assets to its stockholders in kind and the calling of a special meeting of its stockholders to confirm such action."

2829

Will you kindly refresh your recollection as to the next vote:

"Voted: That if the stockholders by their action confirm the above vote, distribution of the assets of this corporation, being common stock of the Arrow Electric Company and of the Hart & Hegeman Manufacturing Company, shall be made to the stockholders in kind."

After the passage of that vote, did any question arise as to the question of it being a taxable transaction under the Income Tax law? A. Yes, very

2830 soon after it was called in question, and it was decided that it should be investigated.

Q. And whose opinion was sought upon that Income Tax question? A. The matter was referred to Colonel Robert M. Montgomery of Lybrand, Ross Brothers & Montgomery, who was an eminent tax expert.

Q. I show you a letter signed by R. H. Montgomery, and addressed to Mr. Grier, as president of this old respondent, and ask you if that is the opinion which he gave you in response to that in-
2831 quiry? A. Yes, this is the original letter from Mr. Montgomery to Mr. Grier, dated November 22, 1928, in which, on the first page, he has mentioned the plan as originally considered or contemplated. Then, further on, namely, on the fourth page, he suggests a method for the combining of the operating companies which would not render the matter taxable.

Q. Is that suggestion which he made on the fourth page of the letter, in its essence, the revised plan recommended by the board on November 30, 1928? A. Yes, it is practically the exact plan.

Q. Did the suggestion of that plan come to the
2832 old respondent from Colonel Montgomery? It did, by means of this letter.

Mr. Gross: I offer the letter, if your Honor please.

Mr. Haycraft: As I understand the testimony, there was a change in the plan resulting from the advice contained in this letter as to the formation of the two new holding companies, to hold the stock of the two operating companies, respectively, is that correct? Was that the change that was made in the plan of reorganization?

The Witness: Yes, if you call them holding companies.

Mr. Haycraft: Well, I call them that for lack of a better term. They did not operate; they merely held the stock?

(Discussion off the record.)

Mr. Haycraft: I have no objection.

Mr. Gross: I offer a copy.

Examiner Reeves: This letter will be received in evidence as Respondent's Exhibit 33, with leave granted to withdraw the original and substitute a copy thereof.

(The letter was thereupon received in evidence and marked "Respondent's Exhibit No. 33.") 2834

By Mr. Gross:

Q. Before that meeting of November 10, 1928, do you know whether the actual consolidation of Arrow Electric Company and Hart & Hegeman Manufacturing Company had been submitted to the Department of Justice of the United States for its consideration and approval?

Mr. Haycraft: That is objected to as being incompetent, irrevelant and immaterial to the issues in this case. 2835

Mr. Gross: I claim it for this reason: I claim it as showing absolutely that this company throughout had no intention of violating the law, and it appears in the minutes of November 10, 1928, that the president of this company and counsel conferred with the chief counsel of the Federal Trade Commission as to what could be done to satisfy the Federal

2836 *Samuel P. Williams—Direct.*

Trade Commission, and I also claim the right to show that we submitted the matter to the Department of Justice in whom we knew the questions of violations of the Sherman Act respond under the law, and I therefore think that showing the animus or intent of this respondent is a very material feature for the Federal Trade Commission.

Examiner Reeves: The objection will be overruled.

(The last question was repeated by the re-
2837 porter.)

Mr. Haycraft: Exception.

A. Yes, it had. Having realized that we should take steps to meet the criticism of the Federal Trade Commission, we did inquire at the Department of Justice.

Q. Do you know whether a letter was received in reply to that inquiry to the Department of Justice, and if so, whether this is the reply (handing paper to witness)? A. Yes, there was such a letter, and this letter is the reply, under date of October 16, 1928, from William J. Donovan, Assistant to
2838 the Attorney General, stating the attitude of the Department with respect to the merger of the operating companies.

Mr. Gross: I offer that letter.

Mr. Haycraft: I certainly object to this letter without the letter that went to the Attorney General.

Mr. Gross: If your Honor please, the whole paper is submitted for the purpose of showing the intent or the state of mind of respondent, and it is not intended to do more than what

appears on the face. I am not foreclosing the Department of Justice; I am simply indicating the fact that we did this and that this reply was received.

(Discussion off the record.)

Mr. Haycraft: I object to the receipt of the letter on the ground that it is immaterial and irrelevant to the issues in this case, and it will be seen from the contents that it refers to an oral conversation between counsel here for the respondent and some officials of the Department of Justice, the contents of which and the circumstances of which cannot and do not appear in the record. The matter of taking a question to the Department of Justice and getting an opinion, whether it is a violation of the Sherman Act, has no possible bearing on the issues in this case. 2840

Mr. Gross: I submit, if your Honor please, that the statement which I have just made in connection with the previous question, as to whether the matter was submitted to the Department of Justice, has a very material bearing upon this. I am not offering it on the ground that categorical consent was given by the Department. Your Honor is familiar with the form of this letter. I am just offering it to show the good faith and absence of any intent to violate the law, actuated by the desire on our part to be law-abiding citizens of the United States and to cooperate with the Government, rather than defy it. 2841

Mr. Haycraft: The matter of intent to violate any law is not within the issues of this proceeding.

2842 *Samuel P. Williams—Direct.*

Examiner Reeves: The objection will be overruled and the letter will be received in evidence as Respondent's Exhibit 34, with leave granted to substitute a copy.

Mr. Gross: I am perfectly willing to attach, at my brother's request, a carbon copy of the letter of October 15, 1928, but without acknowledging that it has any materiality upon the paper for the purpose for which I offer it.

Examiner Reeves: The copy of this letter will be received in evidence as Respondent's Exhibit 35.

2843

(The letters referred to were thereupon received in evidence and marked "Respondent's Exhibits Nos. 34 and 35".)

Q. Did you in response to a request of the Federal Trade Commission for information relative to the nature of the old respondent write the Chief Examiner of the Federal Trade Commission under date of December 12, 1927, answering all his questions? A. We did.

Q. Is that a copy— A. This letter is a copy of such letter from Edward R. Grier, President of Arrow-Hart & Hegeman, Incorporated, dated December 12, 1927.

2844

Q. In the preparation of which you took part? A. In the preparation of which I took part, and in which we furnished all the information desired, and with which we enclosed copies of all the proceedings in connection with the organization.

Q. In other words, with that letter went a mass of documentary papers as recited in that letter? A. Yes, sir, there were 19 enclosures.

Q. Were the facts stated in that letter when you sent them true to the best of your knowledge and belief? A. They were.

Mr. Haycraft: That is objected to, Mr. Examiner, as incompetent, irrelevant and immaterial to the issues in this case. This is merely repetition of evidence that is already in the record. It is a part of the preliminary investigation made by the Federal Trade Commission. It is encumbering this hearing, and will not have any evidentiary value.

Mr. Gross: The evidentiary value attaching to that document is for the purpose of showing that the moment the matter came to our hands this company has cooperated with the Government in its endeavor to disclose everything, 2846
and gave access to the Government to every paper it wanted from the moment the inquiry started.

Mr. Haycraft: That is not an issue in this case.

Mr. Gross: Will you admit that we furnished you and your Department every facility in getting the facts?

Mr. Haycraft: If it was relevant, I would.

Mr. Gross: I want it clearly understood that this company has endeavored to the fullest extent to give you and your superior, Mr. Hudson, and all branches of your Department, 2847
every access to the facts. If you will admit it on the record, I can save considerable documentary evidence.

Mr. Haycraft: It has no place in the case.

Examiner Reeves: The objection is overruled, and a copy of the correspondence described by the witness will be received in evidence as Respondent's Exhibit 36.

(Discussion off the record.)

2848 *Samuel P. Williams—Direct.*

(The correspondence referred to was thereupon received in evidence as "Respondent's Exhibit No. 36.)

Mr. Haycraft: I want to say on the record, without in any way waiving any objections that I have made to the admission of this class of testimony, that in my experience with counsel and parties respondents in this case that all parties have complied with every reasonable request that has been made to furnish information that they had access to.

2849 (Discussion off the record.)

Q. To your knowledge, did counsel, on behalf of this old respondent, under date of January 11, 1929, notify the Federal Trade Commission of the proceedings for the dissolution of the old respondent and the later organization of the new respondent? A. Yes, sir, counsel so notified the Commission on January 11, 1929, by letter.

Mr. Gross: I offer that letter, if your Honor please, that being Exhibit K, attached to our answer.

2850 Mr. Haycraft: The same objection as urged on the preceding exhibit.

Examiner Reeves: The objection will be overruled and the letter, identified by the witness, will be received in evidence as Respondent's Exhibit 37.

(The letter was thereupon received in evidence and marked "Respondent's Exhibit No. 37.")

Q. Did the old respondent receive any response to that letter until the issuance of the supplemental

complaint in this proceeding, which was issued June 29, 1929? A. No, there was no reply made to that letter and no reference to it, so far as I know, until the receipt of the supplemental complaint.

Q. Referring to Commission's Exhibit 52, the circular letter addressed to the preferred stockholders of the Arrow Electric Company and to the preferred stockholders of the Hart & Hegeman Manufacturing Company, signed by Mr. Grier, President of the Arrow Electric Company, and by yourself, as President of the Hart & Hegeman 2852
Manufacturing Company, I ask you whether that is the first step or time when the preferred stockholders of these two respective companies after the organization of the old respondent came into any part of the plan of reorganization? A. Yes, it was the first notice to preferred stockholders. There had been no communication with the preferred stockholders.

Q. The old company owned no preferred stock of either of those companies? A. It did not.

Q. These gentlemen, who are named as proxies, referring to Commission's Exhibit 44, Mr. Leon P. Broadhurst, William R. C. Corson, John O. 2853
Enders, Joseph R. Ensign, Philip B. Gale, and Robert B. Newell—I ask you whether anyone of those gentlemen was an officer or a director of the companies—any one of the four or five companies which are referred to in this proceeding? A. No, they were none of them officers or directors.

Q. Their positions, as stated in that Exhibit 44, were correct? A. Yes. They indicate the type of men which these gentlemen were, men of integrity, very highly regarded; men whom the public of

2854 *Samuel P. Williams—Direct.*

Hartford would feel very sure would not be identified with any questionable undertaking.

Q. When it came to these meetings of the directors of the four consolidating companies, held December 11, 1928, the Arrow Electric Company, the Hart & Hegeman Manufacturing Company, the Arrow Manufacturing Company, and the H. & H. Electric Company, and later the stockholders of these same four companies, on December 31, do you of your own knowledge know that they held those meetings and acted separately and in separate
2855 meetings for the purpose of passing the votes which have been introduced in the record as passed by them on those dates? A. Yes, I know that of my own knowledge.

Mr. Gross: I offer, if your Honor please, copy of Volume II of the General Statutes of Connecticut, Revision of 1918, and particularly five sections, which are an exhibit to the answer to the supplemental complaint as set forth in Exhibit J attached thereto, namely Sections 3520 to 3524, and ask that, with consent, the Exhibit J be marked rather than introduce the large volume of Connecticut statutes.

2856 Mr. Haycraft: May I have my objection recorded, as being incompetent, irrelevant and immaterial to the issues in this case?

Examiner Reeves: Objection overruled.

Mr. Haycraft: Exception.

Examiner Reeves: Exhibit J to the answer to the supplemental complaint will be received in evidence and marked Respondent's Exhibit No. 38.

(The document referred to was thereupon received in evidence and marked "Respondent's Exhibit No. 38.")

Mr. Gross: It may possibly be of assistance to the Examiner and to the Commission, in case they should examine the statutes of Connecticut to know that in 1930 there was a new codification of the law, taking in this revision of 1918 with the public acts of the various years since then, which becomes the general statutes of Connecticut, Revision of 1930, and these five sections I have offered are now in the new revision numbered Sections 3462 to 3466, inclusive, but there has been no change, to my knowledge, in the text. I offer the old statute because that was in force at the time of the acts in question. 2858

CROSS-EXAMINATION BY MR. HAYCRAFT:

Q. Reference was made in your testimony, Mr. Williams, to the declaring of dividends by the holding company. Were any dividends actually declared? A. Yes.

(There was discussion off the record.)

Q. What was the amount of them during the fifteen-month period? A. There were three quarterly dividends of 40 cents per share each. 2859

Q. During that period? A. Yes, sir.

Q. The minutes that you have identified and have been admitted in evidence, show the derivations and the source from which they came? A. Yes.

Q. With reference to Exhibit 33, which is a letter from Lybrand, Ross Brothers & Montgomery, dated November 22, 1928, with respect to the question of the tax aspects of the proposed dissolution of

2860 Arrow-Hart & Hegeman, Incorporated, I will ask you whether or not this question was brought about by the determination of the stockholders and directors and officers of Arrow-Hart & Hegeman, Incorporated, to bring about its dissolution? A. I don't quite understand your question.

Q. Well, I will frame it again. I take it in this letter you received from Lybrand, Ross Brothers & Montgomery, dated November 22, 1928, Exhibit 33, an opinion is given as to the effect of the distribution of stock of the Arrow Electric Company and

2861 Hart & Hegeman Manufacturing Company by the Arrow-Hart & Hegeman, Incorporated, if made to individual stockholders under a plan of dissolution, is that correct? A. Yes, sir.

Q. Reference, I notice, is made in this letter, and from your testimony also, "To meet the criticism of the Federal Trade Commission". Just what did you have reference to? What does this letter refer to when you refer to the criticism of the Federal Trade Commission? A. The term was used with reference to the original complaint of the Federal Trade Commission.

Q. Had you been advised by your attorneys that

2862 under the statute you had a right to answer the complaint? A. I believe we had answered the complaint.

Q. And you did? A. I believe our attorneys had.

Q. Had you been advised that the orderly and ordinary procedure under the proceeding of the Federal Trade Commission, after answer had been made, was to have a hearing before the Board of Review to determine whether or not there was sufficient ground to proceed further? A. I think that our counsel felt that we were perfectly entitled to go ahead with our dissolution.

Q. You didn't understand my question. Read the question.

(The last question was repeated by the reporter.)

Q. That was back in 1927.

Mr. Gross: I don't know what my friend is leading up to, but the references speak for themselves, and the opinion of counsel is in the record.

(Discussion off the record.) 2864

(The last question was read by the reporter.)

A. I don't recall.

Q. Did you attend a hearing before the Board of Review on April 3, 1928? A. Yes.

Q. With counsel? A. Yes, sir.

Q. That hearing was held in April, 1928. Subsequent to that time your counsel addressed a letter and had a conference with officials of the Department of Justice, as indicated in Exhibits 34 and 35? A. Yes, sir.

Q. And during that period of time did you take any steps to acquaint the Federal Trade Commission with your plan of consolidation which you brought to the attention of the officials of the Department of Justice? A. Not so far as I know. 2865

Q. Do you recall that at the Board of Review hearing a motion was made by Mr. Stevenson— A. At the hearing before the Board?

Q. Yes. Whether a plan for a physical merger would solve the problem? A. I think I recall something in the typed minutes to that effect.

2866 *Samuel P. Williams—Cross.*

Q. And you also recall that the answer was made to him by Mr. Clarke, Chairman of the Board, that the Commission, having taken action, it was like a *lis pendens?* A. That is undoubtedly there in connection with the inquiry.

Q. Do you know of any reason why you did not acquaint the Federal Trade Commission with your plan with respect to the proposed consolidation and merger which you did acquaint the officials of the Department of Justice?

2867 Mr. Gross: I object to it on the ground of its materiality.

Mr. Haycraft: Now, Mr. Examiner, I am entitled to cross-examine him to find out just what was the purpose of these various negotiations. I object to the introduction and going into the intention, but if the Examiner has ruled that it is relevant to the issues in this case, I think I am entitled to develop the matter a little further.

Examiner Reeves: The objection is overruled.

Mr. Gross: May I have an exception?

Examiner Reeves: Exception noted.

2868 A. We believed that we were entitled, and, in fact, it was practically necessary for us to withdraw from the position we had found ourselves in.

Q. Were you advised, or didn't you know at that time that the orderly and ordinary procedure in matters of this kind before the Federal Trade Commission was to hold hearings of this kind, where you would be entitled and enabled to present your side of the controversy, as is being done in this proceeding, you being protected by counsel, in an

orderly procedure? A. As far as I know, in any ordinary procedure, I supposed that that came before a complaint could be issued.

Q. Did you have any idea as to what would be the next step if the Federal Trade Commission enforced the Act? A. No, I did not.

Q. You didn't think it was ended? A. When we made the reorganization we did.

Q. You thought that the Commission had closed its proceeding? A. We believed that the Commission, after we had conformed to the complaint and ceased from the present method of doing business 2870
that it would close this proceeding.

Q. Did you receive advice from counsel to that effect? A. I think it was their opinion to that effect, yes.

Q. Do you have here an order of the Federal Trade Commission to cease or desist to do certain things pursuant to the statute? A. Yes.

Q. You had received no such order? A. No, we had received what we took to be the equivalent of an order—or to get off the grass.

Q. What had you received that you deemed equivalent? A. A complaint in the manner in which we were organized.

2871

Q. Had you received advice from counsel that the complaint was merely a preliminary step to determine whether the law had been violated, and that a hearing would be held, and later an order would be entered under the statute? A. I don't recall, except I understand there is no question that those considerations entered into it. In the final analysis it was believed that our action was a satisfactory conclusion of the matter.

Q. And yet you did not acquaint the Commission with your action so that the Commission itself could

pass upon it until after that had been consummated? A. No, they were consummated before.

Q. With respect to Commission's Exhibit 44, and the reference to the proxies, why was it necessary to have proxies appointed in that proceeding? A. I don't know that I can definitely say, because the papers were largely prepared by our counsel.

Q. Who were the stockholders that you were representing, you and Mr. Grier, when you addressed that letter? A. The stockholders of Arrow-Hart & Hegeman, Incorporated, the old respondent.

2873 Q. Would you say those stockholders were the same as those listed on Commission's Exhibit 96? A. To the best of my knowledge they are, yes, sir.

Q. Who selected the proxies that were listed in Commission's Exhibit 44? A. They were selected in a conference of our directors.

Q. And what were their instructions? A. To whom?

Q. To the proxies? A. They had no instructions.

Q. What do you mean, they had no instructions? A. They simply volunteered and agreed that they would act on behalf of the stockholders.

Q. For what purpose? A. In any manner which
2874 came up. I think that the proxy which was sent would tell.

Q. On page 3 of this same exhibit. A. Except in one respect, the attorneys would act.

Q. To vote on this plan of consolidation? A. To vote for the stockholders.

Q. On this plan of consolidation? A. Not at this time.

(Discussion off the record.)

Mr. Gross: I will say that the proxy on page 3 of Commission's Exhibit 44 is a statement of

the powers given to those proxies by the stockholders who signed the proxies.

Mr. Haycraft: That is all.

(Discussion off the record.)

Mr. Haycraft: I will stipulate that, so far as I am concerned, and so far as my contention before the Commission is concerned, I will assume that everything which the exhibits in this record purport to show was done was actually done, as indicated, including the giving of notice and filing of documents and the approval by the Secretary of State of 2876
Connecticut and various actions of the State.

(Discussion off the record.)

Mr. Gross: With the understanding, which counsel for the Commission courteously extends, that if any formal evidence has been omitted in the form of proof counsel for the respondent may correct the omission at the next hearing, I will rest the case.

(Discussion off the record.)

Mr. Haycraft: Mr. Examiner, I am not sure just what will be necessary to be put in in the matter of rebuttal until I have gone over the record to determine what issues are not com- 2877
pletely covered by testimony. I wish therefore to ask for time to go over the record and make up my mind, and, with permission of counsel for the respondent, I shall ask for an adjournment sine die, with ten days' notice for any further hearing.

Examiner Reeves: The hearing will be adjourned in accordance with the request of counsel for the Commission.

(Whereupon, at 1:40 P. M., June 19, 1931, the hearing in the above-entitled matter was adjourned sine die.)

2878 Court Room No. 2, United States Post Office, Pittsburgh, Pennsylvania.

July 22, 1931.

Met pursuant to notice, 10.00 A. M.

Before—WILLIAM C. REEVES, *Examiner.*

APPEARANCES:

EVERETT F. HAYCRAFT, Attorney for the Federal Trade Commission.

2879 WALLACE W. BROWN, Attorney for the Respondents, Arrow-Hart & Hegeman, Inc. The Arrow-Hart & Hegeman Electric Company (49 Pearl Street, Hartford, Connecticut).

PROCEEDINGS.

Examiner Reeves: We will proceed in the matter of Arrow-Hart & Hegeman, Incorporated, and The Arrow-Hart & Hegeman Electric Company, Docket No. 1498, pursuant to
2880 notice dated July 14, 1931.

Mr. Brown: If your Honor please, the Respondent at the last hearing virtually rested its case but it had not at that time had an opportunity to read over the record and an agreement was made with counsel for the Respondent and Mr. Haycraft whereby we might add further evidence to round out our case at the next hearing, and with your Honor's permission I should like to do that at this time.

Examiner Reeves: Did you desire to take additional oral testimony?

Mr. Brown: Yes, your Honor, I do.

Mr. Haycraft: I have no objection, Mr. Examiner.

Examiner Reeves: You may proceed, Mr. Brown.

SAMUEL P. WILLIAMS was thereupon recalled for further examination by the Respondents, having been duly sworn at a previous session. 2882

DIRECT EXAMINATION BY MR. BROWN:

Q. Mr. Williams, the record is not complete on the history, I think, of Hart & Hegeman and I should like to ask you to round that out a little bit. A. With respect to the names?

Q. With respect to the names of these Messrs. Hart and Hegeman. I suppose that is trivial but could you give us the names of the gentlemen who started with the company? A. The names were Gerald W. Hart and George S. Hegeman.

Q. It has been testified that you acquired the 2883 stock of the H. T. Paiste Company. I think it was also testified that in 1914 you first entered into contractual relations with the Paiste Company. What was the nature of that contract at that time? A. Why, I think it was in the record now that it was a selling contract whereby we sold the product of the H. T. Paiste Company.

Q. Now, thereafter did you acquire the capital stock of the Paiste Company? A. Yes, that is also in the record that it was acquired.

2884 *Samuel P. Williams—Recalled—Direct.*

Q. And was that over a period of years? A. Yes.

Q. Over what period of years would you say? A. The period covering about six years I think.

Q. At the time you entered into contractual relations with the H. T. Paiste Company what lines were they manufacturing? A. They manufactured socket materials, plug receptacles, cut-outs, porcelain wiring devices of various kinds which were not made by the Hart & Hegeman Manufacturing Company.

Q. At that time what did the Hart & Hegeman
2885 Manufacturing Company make? A. Almost exclusively switches, switch materials, plates, and things that related to the switch business.

Q. Now, as to the Electric Porcelain & Manufacturing Company. I believe it has been testified that you acquired the capital stock of that company? A. That is correct.

Q. In what year was that? A. That was in 1926.

Q. And what was the business of the Electric Porcelain & Manufacturing Company? A. That company manufactured porcelain as raw material for the Paiste Company and for Hart & Hegeman.

Q. Exclusively? A. They had a very small out-
2886 side business in stove handles and other products of that kind—very trivial.

Q. Did they sell their porcelain product exclusively to the Hart & Hegeman Company and the Paiste Company? A. Yes, except for the small business which I say they very promptly gave up —the business of stove handles.

Q. Now, it has also been testified that when Mr. Morris came into the Hart & Hegeman Manufacturing Company he acquired a majority of the capital stock. Did that situation continue up to the time of his death? A. Yes, it did. At the time of

his death he and the Trust which he had created held a majority of the stock.

Q. And at the time of his death how many common stockholders were there of the Hart & Hegeman Manufacturing Company? A. There were fifty-six.

Q. And what class of people comprised those fifty-six common stockholders? A. They were employees and associates in the business as well as close personal friends of Mr. Morris.

Q. During the Respondents' case Mr. Inch testified as to the combined total sales for the Arrow 2888
Electric Company and the Hart & Hegeman Manufacturing Company; also, for the Arrow and H. & H. Divisions. Mr. Inch's figures, however, did not break those sales down into divisions, nor did they include 1930 or the first six months of 1931. Would you read into the record and perhaps from the very beginning those sales broken down?

Mr. Haycraft: As I understand, these sales are going to compare with the figures by Mr. Inch?

Mr. Brown: Broken down and carried forward into this year.

2889

A. This will be a tabulation of these figures I will read.

Q. I should think you could simply read it right into the record. A. Total sales the year 1925: Arrow, $4,392,000; H. & H., $4,242,000; combined, $8,634,000. 1926: Arrow, $4,012,000; H. & H., $4,153,000; combined, $8,165,000. 1927: Arrow, $3,849,000; H. & H., $4,537,000; combined, $8,386,000. 1928: Arrow, $3,537,000; H. & H., $4,378,000; combined, $7,915,000. 1929: Arrow, $3,548,000; H. & H.,

2890 *Samuel P. Williams—Recalled—Direct.*

$4,599,000; combined, $8,183,000. 1930: Arrow, $2,987,000; H. & H., $3,469,000; combined, $6,456,000. First six months of 1931: Arrow, $1,271,000; H. & H., $1,418,000; combined, $2,689,000.

Q. It has also been testified, Mr. Williams, that subsequent to the year 1927 the Arrow Electric Company and the Hart & Hegeman Manufacturing Company and later the respective divisions, as a result of economies, offered merchandise to the public at lower prices than had theretofore prevailed.

2891

Mr. Haycraft: That is objected to. It is not quite as I recall the testimony. It leaves out one important element—the competition at the sources causing the lower prices.

Mr. Brown: I am not at this minute going into the cause. I am merely saying the lower prices were made. That is all I want at this time.

Mr. Haycraft: That is all right.

Q. (Continued) Have you made a study of that situation, Mr. Williams, so you can compare the prices substantially of each year following 1927
2892 with respect to the year 1927? A. Yes, we kept records which show as near as we can obtain the figures—which indicate that if we had been able to sell our material in the years 1928, 1929 and 1930 at prices prevailing in 1927, we would have received for those three years about $1,850,000.00 more than we did receive.

Q. Would you break that down into years 1928, 1929 and 1930—each year—with respect to the year 1927? A. Yes, we, of course, have the figures in that way. I am not saying that they are strictly

accurate but we accept these figures ourselves in our consideration of the matter, and the way they have run was that reductions during 1928 came to about $500,000.00. Of course, that same reduction pertained through 1929 and 1930. In addition to it, in 1929 the reductions in round figures amounted to $100,000.00, which also pertained during the following year, and there were further reductions in 1930 in excess of $150,000.00.

Q. And from that you arrive at your total of $1,800,000.00 plus? A. Yes.

Q. In the Respondents' case, Mr. Williams, it 2894
was also testified that there were four common salesmen. There were no common salesmen prior to January 1, 1931?

Mr. Brown: I believe that was testified; was it not, Mr. Haycraft?

Mr. Haycraft: Some time like that.

A. That is true.

Q. Have you caused a study to be made of the proportionate amount of business those common salesmen have produced in the first five months of 1931 with respect to your business? A. Yes, our statistical department prepared the figures showing 2895
that those four men had done 3.3 per cent.

Mr. Brown: That is all.

Examiner Reeves: You may cross examine.

CROSS EXAMINATION BY MR. HAYCRAFT:

Q. Just what territory was taken into account in making your calculation? A. There was Maine, Connecticut, Texas. I am not sure that I can recall the fourth. It is in the record, Mr. Haycraft.

2896 *Samuel P. Williams—Recalled—Cross.*

Q. Does the Texas salesman include the city of New Orleans? What territory does that Texas salesman cover? A. It does cover the city of New Orleans and southwest Louisiana.

Q. That estimate you made with respect to the comparison of prices of 1927 and subsequent years. The comparison was made between the price that you actually received for the articles in those years as compared with the price you actually received in 1927? A. I don't know that I quite understand, Mr. Haycraft.

2897 Q. How did you arrive at your $500,000.00 difference in 1928 compared with 1927? Where did you obtain the figures? A. Those figures are kept by our statistical department in charge of Mr. Carroll, who undertakes to have that sort of information available for us, as to how much we are suffering in our business.

Q. Are the comparisons of the prices that you received in 1928, for instance, and the prices that you received in 1927 for the same articles? A. I judge they are. We can't be sure the composition of our sales will remain uniform from year to year and we have to assume there will be some fair

2898 uniformity in the type of materials sold. It is an approximation but a fairly accurate one. It is an approximation we accept in our consideration of these matters among ourselves at home. It never could be absolutely determined. We all realize that.

(Witness excused.)

Mr. Haycraft: I understand the Respondent definitely rests its case at this time?

Mr. Brown: Yes, the Respondent rests its case at this time.

Examiner Reeves: Are you ready to proceed, Mr. Haycraft?

Mr. Haycraft: Yes, I will ask Mr. Webb to be sworn.

FREDERICK E. WEBB was thereupon called as a witness, and having been first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. HAYCRAFT: 2900

Q. State your full name, Mr. Webb, your residence and your occupation. A. Frederick E. Webb.

Q. Where do you live? A. Rochester, New York.

Q. What is your occupation? A. Secretary.

Q. What concern? A. Requa Electric & Supply Company.

Q. In what business is that company engaged? A. Wholesale electrical supplies.

Q. What territory does it cover? A. About a fifty mile radius of Rochester.

Q. Do you travel salesmen? A. Yes.

Q. How many? A. Five at the present time.

Q. The products of what manufacturers do you handle? A. Wiring device manufacturers? 2901

Q. Yes, wiring device manufacturers. A. We handle the products of the H. & H., Arrow, Harvey Hubbel, Pass & Seymour, Cutler-Hammer.

Q. How long have you been handling Hart & Hegeman products? A. Twelve or fifteen years.

Q. And how long have you been handling the Arrow products? A. About twelve or fifteen years.

Q. Back in 1927 where did you purchase your Arrow products—from whom? A. Arrow Electric Company.

2902 *Frederick E. Webb—Direct.*

Mr. Brown: Mr. Haycraft, when you say "in 1927" do you mean the whole year of 1927 or are you referring to the period before or after the formation of the company?

Mr. Haycraft: Prior to October, 1927.

Q. Prior to October, 1927, from whom did you purchase the Arrow products? A. Arrow Electric Company.

Q. Located where? A. Hartford, Connecticut.

Q. Do you recall the name of the salesman who
2903 called on you at that time? A. Mr. Smith.

Q. From whom did you purchase the Hart & Hegeman products? A. Mr. Baldwin.

Q. Where were the goods shipped from? A. Hartford, Connecticut.

Q. They were two separate organizations at that time? A. Yes.

Q. Did Mr. Baldwin and Mr. Smith have offices in Rochester? A. No.

Q. How often would they call on you for soliciting business? A. Approximately every three or four weeks.

2904 Mr. Brown: If your Honor please, at this time it seems apparent that Mr. Haycraft's general line of inquiry is the same line of inquiry that was put to jobbers in Hartford, Boston and New York. I refer to the hearings there. And your Honor will recall that at the close of the Government's case, Volume 9 of the record, page 554 and so forth, there was a stipulation entered into that the jobber testimony taken should be typical. If your Honor's recollection is not fresh on that stipulation, I would be glad to read it from the record, and it occurs to me that that stipulation governs this situation.

Examiner Reeves: What is the contention of counsel for the Commission?

Mr. Haycraft: The contention is, of course, that in the rebuttal testimony it was my purpose to attempt, if possible, to rebut some of the testimony of the witnesses for the respondent, particularly with reference to competitive conditions after the acquisition took place. It is true that in the testimony of this witness today I have followed the same general type of questions to lay the proper foundation but I am not through with the witness yet and it 2906
is my purpose to ask at least three or four questions which will have direct reference to the competitive situation after the acquisition, which I hope to contradict or at least qualify some of the testimony that was produced by counsel for the respondent. Of course, if I am not successful in that, it is taken into consideration in weighing the testimony. I will say at this time it is not my intention to merely place in the record cumulative evidence of the matters which were covered by the stipulation. Naturally, the testimony mentioned in the stipulation was different in respect to different 2907
witnesses. One witness testified to one thing and another to another set of facts. Of course, it would be difficult for me to lay any foundation in an examination of a witness of this character without probably asking some of the same questions that I did ask of the witnesses in the examination in chief.

Mr. Brown: If your Honor please, naturally, in calling ten or a dozen or two dozen witnesses the questions are going to vary some, but it was the sum total of that testimony which we all

2908 *Frederick E. Webb—Direct.*

agreed would be typical of the country. The respondent did not then fear and does not fear now further jobber testimony but the stipulation was entered into primarily to avoid expense and inconvenience and accumulation in the record which would otherwise have occurred. Now, Mr. Haycraft's questions in his other jobber testimony were all certainly directed to the competitive situation. If they were not, what were they directed to? And if this thing is allowed, our stipulation becomes
2909 practically annulative because we can be taken in the four corners of the United States on so-called rebuttal. It seems to me that the entire testimony of Mr. Haycraft was along the line of what is the competitive situation, and in a letter written to me by Mr. Haycraft under date of July 10th of this year Mr. Haycraft speaks of his purpose to rebut specifically testimony of Mr. H. L. Everest. In fact, he confines himself entirely to rebuttal of Mr. H. L. Everest. He says: "It is my understanding that you may object to the introduction of this testimony because of the stipulation entered
2910 into between Mr. Gross and myself just before I closed my case in chief, Record, pages 554-555. While of course I have not examined minutely the testimony of all the witnesses referred to in that stipulation, it is my recollection that they were not asked questions specifically with respect to the points I have in mind in my rebuttal testimony, namely, the competition between the two companies and later the two Divisions subsequent to the acquisition of stock in October, 1927."

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I have examined the testimony more minutely than perhaps Mr. Haycraft has and certainly his whole jobber testimony was directly pointed at competition, and that apparently is what he is directly pointing at right now, and I say that our stipulation should amount to something.

Mr. Haycraft: I don't think the stipulation would prevent a man from answering certain specific testimony in respondents' case by testimony in rebuttal.

Mr. Brown: We took, if your Honor please, Mr. Haycraft's witnesses in entering into that stipulation. Mr. Haycraft presumably called witnesses whom he considered most favorable to him. There were jobbers in all those territories—many jobbers—many of them high class jobbers whom his investigator must have questioned but whom he didn't call. Therefore, presumably he got the testimony which was most favorable to him on the competitive situation. Yet we didn't object. We said, "We will take your best witnesses from jobbers and say that is typical of the country", and in doing that, if anything, we prejudiced ourselves but we did it to avoid a terrific expense, and it is that consideration which is prompting us right now to object.

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Examiner Reeves: The Examiner will assume that the testimony of the witness will be limited to testimony strictly in rebuttal, and with that assumption the objection is overruled.

Mr. Brown: May I have an exception?

Examiner Reeves: Exception will be noted.

Mr. Brown: Of course, your Honor, I realize at this point that my objection is perhaps pre-

2914 *Frederick E. Webb—Direct.*

mature but before we launched into this whole thing I wanted my position to be clear and perhaps later on, when the questions come up, I can perhaps make it more specific, but I would like to have that general objection.

Q. Does Mr. Baldwin still solicit business for the Hart & Hegeman products? A. Yes.

Q. And does Mr. Smith for the Arrow products? A. Yes.

Q. And during the past year has there been any change in the solicitation of these two salesmen?
2915 A. No.

Q. Does Mr. Smith call at the present time as often as he did prior to a year ago? A. No.

Q. How often does he call now?

Mr. Brown: If your Honor please, at this point we have now come to specific questions which I say are identical to questions put in Boston, New York and in Hartford to jobbers and I therefore object on the ground that it violates the stipulation between counsel. I move to have the question stricken out.

Mr. Haycraft: Mr. Examiner, at the time the
2916 witnesses were asked the questions by counsel for the Commission in chief the questions were all generally with respect to the competitive situation, particularly prior to the acquisition. Counsel for the respondent in examining his witnesses, particularly the witness Mr. Everest, emphasized the competitive situation subsequent to the acquisition, the testimony being to the effect that there was no change. It is my purpose in the questions I am asking this witness at the present time, and in the other witnesses I have subpoenaed for this hearing here

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and the one in Chicago, to attempt to show that there were changes and that conditions did change subsequent to the acquisition of the stock some time during the past year or so. It is testimony that is more specific to show what these changed conditions are which I hope—it is my intention and information I have will show that competition had changed.

Mr. Brown: If your Honor please, I just can't offhand go into the entire jobber testimony but I do recall one place in the record where almost this identical question was put.

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I refer to the testimony of Benjamin Golden in New York. It commences on page 493 of the record and on page 498. "Q. Does Mr. Gabry call on you quite regularly? A. Yes. Q. About how often? A. Couple of times a week. Q. How long has it been since any other salesman called on you? A. Maybe six months." There, your Honor, is precisely what Mr. Haycraft is going into at this moment.

Examiner Reeves: Just what testimony is it that counsel for the Commission is undertaking to rebut at this time?

Mr. Haycraft: The testimony of Mr. H. L. Everest particularly, as found on pages 848 and 849, cross examination: "Q. If I am correct in understanding your testimony—if I am wrong, I want you to correct me—it is your contention that the competition between your concern—that is, the Hart & Hegeman Company, now the Hart & Hegeman Division—and the others is as strenuous and as keen and as strong today as it has been for the past four or five years and as it was before October, 1927. Is that correct? A. As far as I have any knowl-

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edge, that contention is absolutely true. Q. In making that statement you took into consideration that since October, 1927, the same people own and control both concerns and that both divisions are operated by one concern, the goods are exactly the same, you have a common sales manager, common sales division managers and in some instances combination salesmen?" There was some objection as to some instance or reference there and finally the witness answered: "They most certainly were."

2921 Now, it seems to me that counsel for the Commission should be allowed some latitude in attempting to prove or disprove rather the statement made by that witness as to the competition since the acquisition of the stock. Naturally, at the time the case in chief was put in I didn't anticipate that that contention would be made or I suppose I would have tried to cover the situation in a general way.

Mr. Brown: I am sorry, Mr. Haycraft, I didn't understand you. You didn't understand we would make what contention?

Mr. Haycraft: I didn't understand the con-

2922 tention would be made that there was as much competition today as there was prior to October, 1927.

Mr. Brown: If your Honor please, may I say this in answer to that: it was the Government's case and it was the Government's burden and has been from the outset to prove affirmatively that competition did cease. It has not been the respondents' burden to prove that it existed. Now, the Government by Mr. Haycraft took extensive jobber testimony over three territories, including two large territories, and

that jobber testimony was with the intent of showing the lessening of competition, and we agreed that that jobber testimony was typical of the country. Now, in the references Mr. Haycraft just gives he is cross examining a defense witness. In view of the Government's contention that we did lessen competition, naturally when the respondent put in its own case it denied it. It is not an affirmative matter and Mr. Haycraft in his contention is simply going back to his original case to seek to produce proof that competition was less. He is not 2924 rebutting us at all.

Examiner Reeves: The objection will be overruled. You may proceed, Mr. Haycraft. Exception is noted.

Q. (Previous question read by reporter as follows: "How often does he call now?") A. Probably every six weeks—two months possibly.

Q. How long has it been since he began to make his visits farther apart as has been testified to? A. Probably a year or year and a half.

Q. How do you fix that date? A. I fix it for the reason that we have discontinued carrying the Arrow line. 2925

Q. You mean discontinued stocking it? A. Yes.

Q. At what time? A. About a year or year and a half ago.

Q. Will you state why you discontinued stocking the Arrow line? A. Because we have five different scheduled manufacturers' line in stock and we wanted to reduce our investment.

Q. Do you continue to stock and purchase the Hart & Hegeman line? A. Yes.

Q. Did you acquaint this situation to Mr. Smith, the salesman for Arrow Company? A. Yes.

2926 *Frederick E. Webb—Cross.*

Q. What response did he make on your pronouncement? A. Stated he would take it up with his division manager and would inform us.

Q. Who was the division manager he would take it up with? A. Mr. Wentworth.

Q. Where does he have his office? A. Syracuse, New York.

Q. Is he division manager for the H. & H. Division as well as the Arrow Division? A. Yes.

Q. Did he say anything more to you about it after that? A. Yes, he came to Rochester and
2927 asked us our reason for wanting to not stock the Arrow line and our reason was that we didn't want to carry both lines that consisted of the same items.

Q. You told this to Mr. Wentworth? A. Yes.

Q. Do you remember about when it was you told him that? A. About a year or year and a half ago.

Q. How would your purchases of Arrow products during the past year compare with H. & H.? A. This past year?

Q. Yes. A. Considerably less than H. & H.

2928 Mr. Haycraft: I think that is all.

Examiner Reeves: You may cross examine.

CROSS EXAMINATION BY MR. BROWN:

Q. Mr. Webb, it was only after you discontinued the Arrow line and so notified the Arrow salesman that the Arrow salesman called less frequently, was it not? A. Yes.

Q. Before that notice he called with the same frequency that he always had? A. Yes.

(Witness excused.)

HOWARD FINK, was thereupon called as a witness, and having been duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. HAYCRAFT:

Q. Will you state your full name, residence and occupation? A. Howard Fink, 1950 Everett Avenue, Youngstown.

Q. In what business are you engaged? A. Wholesale electric supplies.

Q. Under what name? A. The Hood Electric Company. 2930

Q. Is that a corporation? A. Yes, sir.

Q. What position do you hold? A. Vice President.

Q. In what business is that company engaged? What products does it sell? A. Electrical supplies.

Q. Including wiring devices? A. Including wiring devices, yes.

Q. Do you have anything to do with the purchase or sale of wiring devices? A. I do.

Q. And from whom do you purchase wiring devices at the present time? A. Arrow Electric Company. 2931

Q. How long have you purchased from the Arrow Electric Company? A. Since 1924.

Q. Have you made any purchases from the H. & H.? A. Our dealings have all been with Arrow.

Q. Since October, 1927, have you purchased any Hart & Hegeman supplies? A. A few.

Q. And how would you place the order? A. Through the Arrow Division.

Q. And what salesman called on you and solicited your business from the Arrow? A. Mr. Henry.

2932 *Howard Fink—Direct.*

Q. How long has he been representing them? A. Since 1924 he has called on us.

Q. He has been calling right along? A. Yes.

Q. Has there been a Mr. Rogers? A. That is Mr. Henry's successor.

Q. How long has Mr. Rogers been calling? A. Since last October about.

Q What Hart & Hegeman products have you purchased in the manner that you have described? A. Switches that were different from the regular line.

2933 Q. That is, you mean the catalogue line or the shelf line? A. Yes, different from the catalogue line and then some sockets. I think that has been the extent of our purchases.

Q. Has there been any change with respect to the business policy of the Arrow Electric Company, say within the past year or two?

Mr. Brown: If your Honor please, I would like to renew for this witness the same objections I made to the testimony of the other.

Examiner Reeves: The objection will be noted and overruled. Exception noted.

2934 Mr. Brown: On this particular question too, your Honor, I think possibly Mr. Haycraft is asking a form of conclusion that has been objected to when the respondent has put it. I don't know that this witness is qualified to testify on Arrow policies and I object on that ground.

Examiner Reeves: I think the former question is subject to objection.

Mr. Haycraft: I will withdraw the former question.

Q. To what class of trade do you sell your products? A. To electrical contractors, industrial plants.

Q. Does anyone representing the Arrow Electric Company call upon your customers and assist you in the sale of their products? A. They do.

Q. Who does that? A. Mr. Rogers now.

Q. Who before that? A. Mr. Henry.

Q. Do you know a Mr. Sayre? A. I know of him. I don't know him personally.

Q. Who is he? What does he do? A. He handles the specials or something out of the ordinary. 2936

Q. Is he the one who obtained this business you referred to before of the H. & H.? A. I don't know how that was obtained. It just came to us in the regular channels. The order would be given to our salesmen.

Q. Are you acquainted with Mr. Sayre—that is, know what he does? A. Just in a general way.

Q. Does he introduce any of the Arrow line—any of the Arrow products? A. Well, I don't know. I don't come in contact with him.

Q. You mean he does not call at your place of business? A. No. I think he has been there once.

Q. Where does he have his office? A. Cleveland, I understand. 2937

Q. In selling your products to your customers is there any suggestion made to you by the Arrow Company as to the price you will receive? A. There is.

Q. How is that expressed to you? A. They publish a dealers sheet which has the prices listed there at which they should be sold for.

Mr. Brown: If your Honor please, I object to the line of testimony, not only on the other

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ground I put but also on the ground this is not in the purview of the rebuttal which Mr. Haycraft said he would take. This has nothing to do with the competition between the two divisions or between the two companies.

Mr. Haycraft: I am not so sure of that before I get through with it.

Examiner Reeves: Objection is overruled. Exception noted.

2939 Q. Has anything further been done by the Arrow Company along the line, recently, I mean? A. Not to my knowledge.

Q. Have you received any letter or circular from the Arrow Electric Company warning you that if you did not maintain the jobber's retail prices, that they would not sell you further?

Mr. Brown: I object to that for the same reason. This is not rebuttal at all, your Honor.

Examiner Reeves: Objection will be sustained.

2940 Q. I refer you to page 547 of the record, examination of Mr. Grier with respect to policy on retail price maintenance,—547 and 548. "Q. Did you have any policy with respect to the insistence on your jobbing customers as to maintaining their retail price? A. None. We never had that policy under any conditions. Q. As compared with the price that you quoted to your jobber customers, how were they expected to sell to their trade? A. Exactly as their commercial reasons dictated. Will you read that question, please? (The last question was read by the reporter.) A. (Contin-

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uing) That was entirely up to their discretion. Q. Did you suggest any price at all? A. That question I can't remember at that time."

Mr. Brown: If your Honor please, this testimony Mr. Haycraft refers to was his own questioning of Mr. Grier. It is not an allegation of the complaint and, furthermore, it is not within the purview of the rebuttal which Mr. Haycraft in his letter of July 10th to me directed himself.

Mr. Haycraft: Mr. Examiner, I am directing all this testimony to the question of competition after the acquisition. Now, the purpose of this testimony is to show that there was a change in their policy with respect to maintenance of retail prices. Before the acquisition took place there wasn't any such policy. According to this witness, within the past six months there has been a warning letter going out to the trade with respect to the maintenance of retail prices.

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Mr. Brown: Your Honor, if that is true, and I don't see how it is true, I don't see how that bears on the situation between Arrow and Hart & Hegeman. This witness is not a Hart & Hegeman jobber. He doesn't stock it. He has only had a few goods.

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Mr. Haycraft: His testimony is with respect to the class of trade, type of commercials, the few companies sold before the merger took place. This testimony is to show that the business policy of the Arrow concern has changed since the acquisition with respect to the maintenance of retail prices by its customers.

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Examiner Reeves: Is it your contention that that might become material?

Mr. Haycraft: Yes, it seems to me it is material.

Examiner Reeves: What is the materiality, if any?

Mr. Haycraft: Well, there certainly is competition. One element of competition would be the restriction that might or might not be placed upon any jobber customer in the resale of his product. A jobber customer who

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does not have any such restriction placed on him may compete more freely in the trade for the business of contractors, builders, and so on.

Mr. Brown: How does that have anything to do with the competition between the salesmen and the two divisions?

Mr. Haycraft: I am not restricting my examination to that.

Mr. Brown: Or between the two manufacturers? How does it have any bearing on that competition?

Mr. Haycraft: Because the business policy

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of a manufacturer with respect to the resale of products by his customers is a vital element of competition. Many of these customers could not get Hart & Hegeman products because of their resale price policy. They were not recognized and considered as jobbers in the trade. There was a letter in evidence here showing that the Hart & Hegeman line could not be handled by the Arrow line jobbers and the restriction was placed on them. I am trying to show that subsequent to the acquisition of these two concerns—since they were merged—that

the Arrow Company, which had had a more liberal policy, was beginning to tighten up on the resale policy, which to my mind is indicative of a change in the competitive situation.

Mr. Brown: Your Honor, I object to the flat statement by Mr. Haycraft that jobbers could not get Hart & Hegeman goods, or something like that. I object to that as a statement.

Mr. Haycraft: The evidence is in there. The circular will speak for itself.

Mr. Brown: But over and above that, if Mr. 2948
Haycraft's contention were true, which we stoutly deny, that policy would affect not Hart & Hegeman alone. It would be equally applicable to Bryant and General Electric and Hubbell and Webber. It has nothing to do with the competition between the two companies which Mr. Haycraft says he is restricting himself to, and I don't see how it has any bearing on ultimate competition between any companies. The companies are competing to sell their lines. If they did have a resale policy, that wouldn't prevent any one company from competing with every other company. That has 2949
nothing to do with competition. That would be purely a matter of price policy and it has no place in this proceeding in my opinion.

Examiner Reeves: The objection by counsel for Respondent will be sustained.

Mr. Haycraft: Exception, please.

Examiner Reeves: Exception will be noted.

Mr. Haycraft: I think that is all.

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CROSS EXAMINATION BY MR. BROWN:

Q. Mr. Fink, you handle electrical supplies in general, do you? A. Yes.

Q. And wiring devices are a small part of your general business? Electrical wiring devices are what per cent would you say? A. Well, probably twenty-five per cent.

Q. And you have carried Arrow Electric almost exclusively as your wiring devices? A. No. we have C. & S.

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Q. In an equal amount to Arrow? A. No, very small amount of C. & S.

Q. Have you ever on occasion for special purposes ordered anything from Bryant or General Electric or Hubbell or Webber or Cutler-Hammer? A. We have from Cutler-Hammer.

Q. You have on occasions? A. Yes.

Q. To fill a special need? A. Yes.

Q. Now, you speak of on occasions getting H. & H. goods. Has that been trivial in amount? A. Yes.

Q. The times when you have bought H. & H. have not been limited to 1927 and after, have they? A. No.

2952

Q. You bought some before 1927? A. Yes.

Q. And when you bought H. & H. goods before 1927 how did you do it? A. Well, I don't remember whether we would buy them through another jobber or how. I don't remember how that was done.

Q. Well, the way you would buy would be the same then as now, wouldn't it? A. Now we just send the order to the Arrow Company.

Q. You mean the Arrow-Hart & Hegeman Electric Company? A. Yes.

Q. You send the order direct to that company? A. Yes, we send the order direct to that company.

Q. And that is uniformly true? If ever you want H. & H. goods you send your order direct to the Arrow-Hart & Hegeman Company? A. We buy so small a quantity of the Hart & Hegeman material I don't know how it would be handled. The small quantities we buy, or the small quantities we get orders for, we buy from the Arrow-Hart & Hegeman Company.

Q. When you wish to buy H. & H. goods it is because you are not able to obtain those particular goods from your regular manufacturer? A. That is the idea, yes.

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Q. And it is because you have had some call for those particular items from your own customers? A. They are special.

BY MR. HAYCRAFT:

Q. How are most of your orders for Arrow goods placed? A. They are sent by us to Detroit.

Q. And then to the district office there? A. To the district office in Detroit, yes.

Q. To the Arrow Division of the Arrow-Hart & Hegeman factory? A. Yes.

Q. When you place an order for the Hart & Hegeman product do you attach that or make a separate order? A. We would not make a separate order probably.

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Q. Just put it on the same blank? A. Yes, put it on the same blank.

Q. Who would furnish you those orders for the Hart & Hegeman articles that you would have to place as specials on such an order? A. Our own salesman would bring them in.

Q. Where they had been specified? A. Yes, where they had been specified.

2956 BY MR. BROWN:

Q. You testified, I think, a bit ago, Mr. Fink, that you were not personally very familiar with the manner in which your orders were placed. Isn't that correct? A. That was prior to 1927.

Q. But you have become familiar since then? A. Yes.

Q. In what capacity? A. Well, I place the majority of them.

Q. You, yourself, act as purchasing agent? A. Yes.

2957 BY MR. HAYCRAFT:

Q. Who is in charge of the Arrow Division of the Hart & Hegeman Manufacturing Company at Detroit? Do you know the man's name? A. I have forgotten.

Q. Is it Bluebeck? A. That is it, yes.

Q. Did he use to be in Chicago? A. Yes.

Q. Was your company originally under the Chicago area division and later changed? A. Yes. Mr. Wildauer was in charge of the Chicago office.

2958 (Witness excused.)

ROBERT W. BROWN was thereupon called as a witness, and having been first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. HAYCRAFT:

Q. Give us your full name, address and occupation. A. Robert W. Brown, 6375 Penn Avenue, Pittsburgh.

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Q. In what are you engaged? A. Electrical supplies—jobbers.

Q. What is the name of the firm? A. Pittsburgh Electric Manufacturing Corporation.

Q. What is your position with that firm? A. President of the company.

Q. How long have you occupied that position? A. In the new corporation since 1929. I bought over the old company on March 11, 1929.

Q. Before that time what did you do? A. I was receiver for the old company since August 11, 1922.

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Q. During that entire period of time did you have anything to do with the purchase of the products that you handle? A. I have been buying all the supplies.

Q. Do you handle electric wiring devices? A. Yes.

Q. Prior to October, 1927, from whom were you purchasing electric devices? A. Prior to that time it was practically 85 per cent Arrow goods.

Q. And then what other products? A. Other wiring devices products?

Q. Yes, wiring devices besides Arrow? A. We were buying some H. & H. and a little Bryant.

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Q. How long had you been buying the Arrow? A. Back to 1920 or 1921.

Q. When did you start buying the H. & H. line? A. In about the spring, about five years ago.

Q. About 1926? A. '26 or '27, and that I am not positive.

Q. And do you recall the occasion? A. It was about the time of the Jobbers' spring convention in Hot Springs. I know Mr. Everest was on his way back to Hartford at the time and he stopped in Pittsburgh and I talked to him a few hours and placed an order with him that day.

2962 *Robert W. Brown—Direct.*

Q. Was that Mr. H. L. Everest, the salesmanager of the Hart & Hegeman Manufacturing Company? A. At that time he was, yes.

Q. Now, since October, 1927, how have you purchased your wiring devices? That is, from what concerns and what changes, if any, have there been in the quantity that you bought from the respective organizations? A. Since 1927 we have purchased Arrow, Hart & Hegeman, Bryant, Cutler-Hammer, C. & S.

Q. When did you begin to buy Bryant? A. 1928.

2963 Q. Have your purchases from Bryant since that time been substantial? A. It has been our major line since that period.

Q. When did you begin to buy the C. & S.? A. About eight or nine months ago.

Q. When did you begin to buy Cutler-Hammer? A. Three years ago.

Q. I show you Respondents' Exhibit No. 31, which is a tabulation of sales made by the Hart & Hegeman Company and later the Hart & Hegeman Division of the Arrow-Hart & Hegeman Incorporated to certain selected customers, including Pittsburgh Manufacturing Company in Pittsburgh, and direct your attention to the figures given for 1927

2964 and 1928, which shows approximately $4,000.00 less in 1928 as compared to 1927 for the Arrow and $2,000.00 more, 1928 over 1927, for the H. & H., and ask you what explanation you can offer for the relative changes in the quantity of products bought by your firm as indicated on that exhibit. A. H. & H. shows an increase of approximately $2,000.00 due to one industrial account buying material to H. & H. specifications; especially a thirty ampere tumbler switch used in manufacturing improved gasoline trucks. Also, sockets which have to be made special according to special specifications.

Q. Are those two items listed in their catalogue? A. The switch item is not listed by either Arrow or Hart & Hegeman. They have blue prints on the special stock and you can only buy them from the H. & H. Division.

Q. About when was that account? A. We have had the account for five years but haven't always had them on those particular devices. The business was originally solicited by Hart & Hegeman and billed through us.

Q. Your answer that you have just given accounts for the increase in the Hart & Hegeman. What have you to say with respect to the decrease in the Arrow business? A. Taking on Cutler-Hammer and Bryant, two other manufacturers in wiring devices. 2966

Q. Who was the salesman that solicited the Arrow business from you since October, 1927? A. James McCoy.

Q. And does he solicit Arrow business at the present time? A. No.

Q. When did he last solicit the Arrow business? A. Prior to the first of July.

Q. How often did he solicit before that time? A. At least once a week and sometimes twice a week.

Q. Did he give you any service in the way of missionary work among your customers? A. Yes. 2967

Q. Who solicited for the Hart & Hegeman Manufacturing Company since October, 1927? A. George K. Noel.

Q. How long did Mr. Noel solicit? A. A little over a year.

Q. And then who succeeded him? A. Mr. Tuttle.

Q. How long did he solicit business? A. I am not sure but less than a year I would say.

Q. And then who succeeded him? A. John Watkinson.

Q. Is he soliciting at the present time? A. Yes.

2968 *Robert W. Brown—Direct.*

Mr. Brown: If your Honor please, at this point—I have let this go on on the assumption that my general objection to the entire line of testimony prevails of course. This is the same sort of testimony that I objected to before and I should simply like to have it noted on the record.

Examiner Reeves: It may be so noted on the record that the objection is made and overruled.

Mr. Brown: May I have an exception?

2969 Examiner Reeves: Yes.

Mr. Haycraft: I would like to direct the Examiner's attention to testimony of Mr. Everest, beginning on page 832, running through page 836, with specific reference to this account and the reasons why it had been taken away from the Arrow Company and why the business with the Hart & Hegeman Company had been increased.

Q. Since October, 1927, did anyone else representing the Arrow Electric Company call on you in behalf of that concern besides Mr. McCoy? A. Mr. Alexander.

2970 Q. And when did he call on you? Who was Mr. Alexander at the time he called on you? A. He had charge of this territory, working out of Philadelphia.

Q. For both divisions? A. I believe he came through before when he was with H. & H., although of that I am not positive.

Q. How long has he been representing both divisions? A. Just exactly how long I don't know.

Q. Prior to his calling on you did anyone else ever call on you representing the Arrow line besides Mr. McCoy? A. Mr. Deacon came through once in a while.

Q. He was at that time working out of where? A. New York City.

Q. You were under the New York division at the time Mr. Deacon called on you? A. Yes.

Mr. Haycraft: That is all.

Examiner Reeves: You may cross examine.

CROSS EXAMINATION BY MR. BROWN:

Q. Mr. Brown, how much did that industrial account amount to that you spoke of on your direct examination? A. Well, it was spasmodic. That is, quantities that were purchased one month didn't 2972
necessarily mean duplicating the same quantity next month. They usually placed an order for 800 switches at a time, amounting to 65 cents a piece, and sometimes that would last six weeks and sometimes two months. In connection with that, they also used a specially constructed single socket which they usually purchased in lots of 5,000 at a time and that five thousand quantity would run sometimes four months and sometimes five months.

Q. That was what is known as special appliance business? A. Yes, made specially.

Q. Could you give us any approximation of how much that would amount to in a year, or how much 2973
it did amount to in any given year? A. Well, I could tell pretty well from the H. & H. purchases for 1931, the first six months I guess, $4,839.00 so far. I should judge $3500.00 of that would be special items for this one particular account.

Q. How about the years 1927, 1928, 1929 and 1930? A. Wasn't heavily involved at that time with any particular account.

Q. That is, this industrial account you speak of with H. & H. developed in the last year or two? A. Within the last three years.

2974 *Robert W. Brown—Cross.*

Q. Now, if I said you placed with Arrow in 1929 $29,226.00 worth of business, would you say that was correct? A. Yes.

Q. And in 1927 $22,320.00? A. Yes.

Q. In 1928 $18,697.00? A. Yes.

Q. And in 1929 $13,844.00? A. Yes.

Q. And in 1930— A. (Interrupting) $8,552.00.

Q. Now, taking H. & H. Would I be correct in saying H. & H. sold you no merchandise whatever in 1926? A. That is right.

Q. And would I be correct in saying in 1927 H.
2975 & H. sold you $8,617.00, which would be general jobbing lines? A. Yes, general jobbing.

Q. In 1928 H. & H. sold you $10,893.00? A. Yes.

Q. Same line? A. I believe at that time we were getting some business from the industrial account. We were getting little dribs of that.

Q. Just trivial? A. Yes; some would be included in that amount there.

Q. But not substantially? A. No.

Q. Is it correct your H. & H. purchases amounted to $5,402.00 in 1929? A. Yes.

Q. And amounted to $10,541.00 in 1930? A. H. & H.?

Q. Yes. A. I have $10,591.18.

2976 Q. During all the years mentioned have Arrow and H. & H. salesmen vigorously solicited you for their business? A. Yes.

Q. Does that situation continue today? A. Up until three weeks ago. The Arrow has no representative here at this time.

Q. Did you know Mr. McCoy was discharged as a salesman of the Arrow? A. Yes.

Q. And you have been notified another salesman will be put on to take his place? A. Yes, I received a letter.

Q. So that the cessation of the solicitation you speak of is a purely temporary matter? A. Yes.

REDIRECT EXAMINATION BY MR. HAYCRAFT:

Q. Mr. Brown, when you say that your purchases of Hart & Hegeman products in 1927 of specialties was not substantial, what do you mean? How much of that $8,617.0 would you say was for specials? A. That was practically all regular catalogue items.

Q. In 1928 where there was an increase of about $2,000.00, what would you say in respect to that? A. We dropped off on standard catalogue numbers and were getting some specialty numbers.

Q. In 1929 your purchases were $5,402.00, a very marked drop. How do you account for that? 2978
A. At that time we were handling practically just such items as were of special character for special account.

Q. That is, you were not handling substantial quantities of shelf goods or catalogue products? A. No, not so much.

Q. Then, your increase in 1930 or 1931 would be due to your increase in your industrials? Is that correct? A. Yes.

Q. Was there any dissatisfaction on your part with respect to the manner in which Mr. McCoy solicited your business over that period of time? 2979
A. No.

Q. Could you give an estimate at the present time as to how your purchases are divided as between the different manufacturers—the percentage? You testified you were buying more from Bryant Electric than anybody else. How much would you say you were buying from Bryant Electric—what percentage? A. Do you want H. & H. and Arrow as one or as units?

Q. You can separate them. A. C. & S. didn't amount to $100.00 so we will leave that out. It would be on the basis of about 40 per cent Bryant,

2980 30 per cent H. & H., 20 per cent. Arrow and 10 per cent Cutler-Hammer.

Q. 30 per cent H. & H. would include this specialty business? A. Yes, I have included that. That is on the basis of our total wiring devices purchases.

Q. Would you say that percentage in that relative proportion would run for the last year or two, or about how far back? A. It would cover last year, but the percentage would be different for the year prior.

2981 Q. It would be different for 1929? A. Yes.

Q. And 1928 also, I assume? A. Yes.

Q. If you should take out the specialty business which is not catalogued or on the shelf for H. & H. for 1931, what would be the percentage of H. & H.? A. Arrow would remain practically the same and H. & H. would show a considerable decline.

RECROSS EXAMINATION BY MR. BROWN:

Q. Mr. Brown, when you spoke in 1931 of most of your H. & H. goods being specials, it is true, is it not, that the H. & H. salesmen solicit you and ask you to buy H. & H. shelf goods as well as specials? A. Yes.

2982 Q. Why is Bryant your major line today? Why do you buy Bryant as your chief line? What are the considerations that lead you to do that?

Mr. Haycraft: I have no objection as far as I am concerned unless the witness has some objections.

Q. Let me put it this way—perhaps I can save you: Is it not true you favor Bryant now because you find a greater demand for it in the field? A. They have more complete line is one reason. They have a more complete line than Arrow or C. & S.

There are more items we can purchase from Bryant than any other. There are several items, specialty items, small items, not sold frequently but once in a while and if we have contact with them, we have access to those items at jobber's price without buying them from another jobber. 2983

Q. Do you have considerable demand from the field—and by the field I mean the ultimate consumer, the contractor or specifyer in general—do you have considerable demand from that class of people for Bryant goods? A. We don't in our business. It may apply to a jobber handling industrial accounts to a certain extent, but in our business with contractors and dealers one name is just a by-word as well as another. In our trade "Arrow" probably is a little better known than the name of "Bryant." 2984

Q. In the Bryant material that you buy do you also have special appliance goods? A. Yes, to the same firm we are selling some H. & H. items to.

Q. Is the special appliance business you have with Bryant pretty substantial? A. Yes.

BY MR. HAYCRAFT:

Q. Is it true to say, so far as shelf goods and catalogue items are concerned, that the Arrow line is the largest line you handle still? A. No, we have more Bryant than Arrow. 2985

Q. I mean outside of specialties? A. Yes.

Q. Has the personality of any of the employees of any of these respective organizations had anything to do with the changes you have made? A. Yes.

Q. And will you explain? A. I prefer not.

(Witness excused.)

2986 *Homer D. Sommer—Direct.*

HOMER D. SOMMER was thereupon called as a witness, and having been first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. HAYCRAFT:

Q. Will you state your full name and address and occupation? A. Homer D. Sommer, manager of the Youngstown Branch of the Moock Electric Supply Company.

Q. Where is the principal office of that concern located? A. Canton, Ohio.

2987

Q. In what business is it engaged? A. Distributors of electrical supplies and radio.

Q. How long have you been manager of the Youngstown Division? A. Approximately five years.

Q. How long have you been with that concern in some capacity? A. Ten and one-half years.

Q. Do you include in your items wiring devices? A. Yes, sir.

Q. From what manufacturers do you purchase wiring devices? A. Hart & Hegeman, Harvey Hubbell and Bryant.

2988

Q. What salesman of Hart & Hegeman calls upon you soliciting business of that concern? A. Mr. Whitten as I recall.

Q. How long has he represented the Hart & Hegeman line? A. Probably a year and a half.

Q. And prior to that who preceded him? A. Graves.

Q. For how long a period of time? A. Graves probably represented the company eight or nine years.

Q. Did Mr. Whitten or Mr. Graves do any missionary work for the Hart & Hegeman Manufactur-

2989

ing Company among the customers? A. Mr. Graves did but to the best of my knowledge Mr. Whitten has not done anything.

Q. So far as you know, has there been any change in the organization of the Hart & Hegeman concern during the period of time you have been buying from it? A. Yes, there is. I know of the consolidation of the Arrow Electric Company.

Q. About how long ago? A. I would say around about two years. A year and a half ago it became public property.

Q. And are you acquainted with a Mr. Sayre? A. Yes.

2990

Q. Who is he? A. He is their industrial man. He calls on industrials exclusively.

Q. Representing whom? A. Both Hart & Hegeman and Arrow.

Q. In your territory? A. Yes.

Q. Since October, 1927, has the Arrow Electric Company or the Arrow Division of the Arrow-Hart & Hegeman Company solicited business from you? A. That is the Arrow Company?

Q. Yes. A. No. In fact, I don't recall any solicitation since I have been in Youngstown from the Arrow Company.

2991

CROSS EXAMINATION BY MR. BROWN:

Q. Mr. Sommer, what supplies did you say you handle? A. Whose manufacture?

Q. What is your business? A. Electrical distributors—electrical appliances.

Q. All sorts of electrical wiring devices? A. Yes.

Q. What else? A. Refrigerators, radios—are exclusive distributors.

2992 Q. When you spoke of Mr. Sayre a moment ago, how did you get your knowledge about Mr. Sayre? A. You mean representing both companies?

Q. As to what he does and all that? A. As to his duties, you mean?

Q. Yes. A. Well, on the installations that we have or applications of their merchandise he would work with us, and he would also work with our competitor.

Q. On special appliances? A. No, that would be special switches for the industrials would be where that would come in.

2993 Q. Not shelf goods? A. No.

Q. So far as you know, Mr. Sayre has nothing to do with the shelf goods? A. No, I don't think he has anything to do with that.

Q. Do you have anything to add, Mr. Sommer, to the statement you have already made? A. If we have any special item that they make that applies to what we call industrials where they use it in the manufacture of some of their merchandise, Mr. Sayre works with us. He has nothing whatsoever to do with the dealer and the distributor any more than cooperating with him with the industrial.

2994 Q. When orders are obtained from these industrials for special appliances to go on their devices, are they placed directly or through your organization? A. When we work with them naturally the order goes through us. I haven't any records of it going otherwise.

(Witness excused.)

Examiner Reeves: The hearing will be adjourned until one o'clock Eastern Standard Time.

(Whereupon at 12:25 Eastern Standard Time, the hearing was adjourned until 1:00 o'clock p. m. Eastern Standard Time.)

AFTERNOON SESSION.

JAMES J. McCOY was thereupon called as a witness, and having been first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. HAYCRAFT:

Q. State your name, residence and occupation. A. James J. McCoy, 29 Cedricton Street, Pittsburgh, Pa. Salesman.

Q. Are you employed at the present time? A. No, sir. 2996

Q. Were you ever in the employ of the Arrow Electric Company? A. Yes, sir.

Q. When? A. I believe it was from July 1, 1919 until July 1st of this year—1931.

Q. During that period of time did the Arrow Electric Company change its form of organization? A. The Arrow Electric Company merged with the Hart & Hegeman Company.

Q. About what time so far as you know? A. I don't know the exact date. It was two or three years ago.

Q. At the present time—July 1, 1931—was the Arrow Electric Company a division of the Arrow- 2997
Hart & Hegeman Company? A. It was the Arrow Electric Division of the Arrow-Hart & Hegeman Electric Company.

Q. Prior to 1919 what was your occupation? A. Well, I was in the army for about a year and a half prior to joining with the Arrow Electric Company. Well, about two months prior to going with Arrow I was with the General Electric Supply Company. It was then called the Union Electric Company in Pittsburgh. Prior to that I was in the army.

2998

Q. During the period of time, 1919 up to July, 1931, what were your duties as salesman? A. Well, I represented the Arrow Electric Company in the Pittsburgh territory, which comprises West Virginia and Western Pennsylvania. It was my duty to sell wiring devices to the jobbers and to the contractors through the jobbers and manufacturers through the jobbers.

Q. Prior to October, 1927, who was your superior officer? To whom did you report? A. I have always reported to A. P. Deacon up until July of last year.

2999

Q. July, 1930? A. Yes, July, 1930.

Q. Where did he have his office? A. New York City.

Q. What happened July, 1930, so far as you were concerned and your superior? A. I was notified that effective July 1st, I believe it was—I couldn't swear to that but I am pretty sure—that I would work out of the Philadelphia office instead of the New York office.

Q. Who would be your superior after that? A. J. W. Alexander.

Q. Who was he prior to that time? Do you know what he did before he was made your superior? A.

3000

He was in Philadelphia with the Arrow-Hart & Hegeman Company. I don't know what he did.

Q. He is now the district manager in Philadelphia? A. So far as I know. At least he was up to July 1st.

Q. In soliciting business from a jobber, how would you write up their orders? Did you have certain blanks you had to fill out or did you require the jobber to fill the orders out? A. Ordinarily the jobbers had a form which they gave you, an order form. With some jobbers I just jotted it down on a memorandum pad and when I would

get down to the office I would write it up in an order book which I had at the office. Most of them, though, had a regular order form.

Q. Did any customer of yours ever attempt to place an order with you for H. & H. products? A. I have had some customers ask me if I could take orders for H. & H. material and I told them no.

Q. What would you do under those circumstances? A. If a customer wanted to give me an order for any H. & H. material, I would tell them I couldn't take it.

Q. As a matter of fact, what would you do in a 3002
case of that kind? A. I would attempt to sell them Arrow material.

Q. If you found out you couldn't sell them Arrow material and they still wanted H. & H. material, what would you do? A. There was nothing I could do except tell them to get in touch with the H. & H. man.

Q. Did you ever assist them in bringing an order over to the H. & H. man? A. I believe one time the president of one concern asked me if I was going to see the H. & H. representative that afternoon. I told him I thought I would see him sometime between four and five o'clock. While he 3003
didn't give me a formal order, he gave me a piece of paper with two orders on it and I turned it over to the H. & H. representative that night to send it in.

Q. Among your customers did you have the Doubleday Hill Electric Company? A. Yes, sir.

Q. Are you acquainted with Mr. Lang, the purchasing agent there? A. Yes, sir.

Q. Did you ever accommodate him in such a manner as you have described? A. No, sir.

3004 *James J. McCoy—Direct.*

Q. Are you positive of that? A. I am pretty positive, yes, sir.

Q. What arrangement did you have with him with respect to the submission of Arrow orders to the Arrow-Hart & Hegeman Electric Company? A. What arrangements did I have?

Q. Yes. A. With reference to what?

Q. With Mr. Lang with reference to the sending or submitting of orders that were not submitted direct through you? A. Mr. Lang had been in the habit of sending orders to Philadelphia if I wasn't
3005 there to get them. Any order I asked Mr. Lang to send direct to me he would send to Pittsburgh.

Q. Can you identify this paper? A. Yes, sir.

Q. What is it? A. Why, it is an envelope that I always send my correspondence and orders direct to Philadelphia.

Q. And did you furnish Mr. Lang with a supply of these? A. No, sir.

Q. I ask you to look at this closer and see if this is the envelope you used. A. That is exactly the same kind of envelope I used in sending my correspondence and orders into the Philadelphia office.

3006

Mr. Haycraft: I offer that in evidence.

Mr. Brown: No objection.

Examiner Reeves: The envelope identified by the witness will be received in evidence as Commission's Exhibit No. 100.

(The envelope referred to was received in evidence and was marked Commission's Exhibit 100.)

Q. Do you know whether or not, as a matter of fact, Mr. Lang of the Doubleday Hill Electric

Company has a supply of those envelopes for his use? A. Mr. Lang showed me some of those down at his office one day some month or two months ago.

Q. I believe you said a moment ago you are not now employed by the Arrow Electric Division of the Arrow-Hart & Hegeman Electric Company? A. Yes, sir.

Q. When did your employment cease? A. July 1st of this year,—1931.

Q. Was that the first notice you had that your services were no longer required? A. No, not the exact date. The Saturday prior to July 1st I was called to Philadelphia—whatever date that was. 3008

Q. Had there been any complaints from your superior as to the way in which you had been conducting your affairs for the company? A. No, he hadn't made any complaints to me.

Q. Was any reason assigned for your discharge? A. I was called to Philadelphia and Mr. Alexander informed me that he had been at Hartford all week and the Hartford office had decided to dispense with the services of several of the men and that I was among this number.

Q. Nothing was said about the showing that you had been making in your work? A. He told me that the factory had been analyzing conditions all over the territory. 3009

Q. Was that the only explanation you had? A. That was all.

Q. Did you do anything further in determining the reason for your discharge? A. Well, I wrote a letter to Mr. Harvey Pond, the general sales manager.

Q. Did you receive any additional reasons? A. Mr. Pond replied to my letter stating that Hart-

3010 *James J. McCoy—Cross.*

ford had not made any recommendations whatever as to who was to be laid off, just expenses were to be cut by the managers, and Mr. Alexander evidently thought he could cut expenses in the western end of the territory, which was Pittsburgh, and Mr. Pond told me he couldn't do anything for me.

CROSS EXAMINATION BY MR. BROWN:

Q. On this Exhibit 100, Mr. McCoy, this isn't an envelope that was furnished to you by the Arrow-Hart & Hegeman Electric Company, is it?

3011 A. Mr. Alexander furnished that to me.

Q. When you say you used this envelope you testified, of course, that you were salesman for Arrow Division? A. Yes, sir.

Q. This envelope has up in the corner "H. & H. Division." Did you read that? A. Yes, sir.

Q. Well, did you have any with "Arrow Electric Division?" A. No, sir.

Q. As a matter of fact, it was immaterial when you were reporting to your own immediate superior what kind of an envelope you used, was it not? A. Well, he sent me those envelopes, sir, and he told me to use them in sending mail.

3012 Q. Did you use this altogether or did you have— A. (Interrupting) Those are the envelopes I used in sending to Philadelphia.

Q. What I mean to say is did you have any envelopes at any time with "Arrow Division" on them? A. No, I didn't have any with "Arrow Division" on them. That is, after July 1st. Prior to July 1st I did.

BY MR. HAYCRAFT:

Q. What year? A. July 1st this last year I had envelopes with "Arrow Division." I had my own envelopes prior to that.

BY MR. BROWN:

Q. That was July, 1930? A. Yes, when I come under Mr. Alexander's division. He sent me those envelopes.

Q. Didn't Mr. Alexander tell you he had run out of the Arrow Division and sent you these for a substitute? A. Yes, I wrote for a supply of stationery—envelopes—and he sent a letter back stating he didn't have any supply of Arrow Electric envelopes but to use these until such a time as he would have Arrow Division.

3014

Q. Of course, the envelopes you used were between you and your superior—mailed from you to your immediate superior? A. That is right.

REDIRECT EXAMINATION BY MR. HAYCRAFT:

Q. When was it you wrote Mr. Alexander for a supply of stationery? A. Shortly after I left Mr. Deacon's supervision. I don't know. I would say it may have been two months after I ran out of envelopes. At that time I had envelopes with the Arrow Electric Division's name on it. I wrote Mr. Alexander I would say maybe two or three months after that for envelopes.

3015

Q. You would probably fix it along on the fall, September or October, of 1930? A. I would say something like that.

Q. Did he send you a quantity? A. No, he would possibly send me maybe twenty or thirty—something like that.

Q. And then send more later on? A. When I would write him for more envelopes.

Q. Did Mr. Alexander visit this territory? A. Yes, Mr. Alexander was down here several times in the last year.

3016 *James J. McCoy—Redirect.*

Q. What was he doing? A. Well, he came one time, as I recall last November, to attend a jobbers convention, wholesale jobbers convention, and various other times he came to call on the different distributors.

Q. Did he go around with you calling on the customers? A. Well, I have been with him once or twice—not all the time.

Q. In calling on the trade? A. Yes.

Q. Mr. McCoy, did you appear here today pursuant to subpoena served upon you by the Federal
3017 Trade Commission? A. Yes, sir.

(Witness excused.)

Mr. Haycraft: Mr. Examiner, although I had another witness subpoenaed to appear at the hearing in Pittsburgh, I find he had left the city before the subpoena arrived and will probably be gone three or four weeks, and I find there is no one in his organization to take his place and it is necessary to go on without him. Therefore, I wish to ask for an adjournment at this time until nine o'clock Central Standard Time in Chicago, Illinois, on July
3018 24th.

Examiner Reeves: The hearing will be adjourned to Friday, July 24, 1931, at 10:00 o'clock A. M. Daylight Saving Time to reconvene in Suite 2246 of the Transportation Building, located at 608 South Dearborn Street, Chicago, Illinois.

(Whereupon, at 1:35 P. M. Eastern Standard Time, July 22, 1931, the hearing in the above entitled matter was adjourned to Chicago, Illinois, Suite 2246 of the Transportation Building, at 10:00 o'clock A. M. Daylight Saving Time.)

Room 2246, Transportation Building, 3019
608 South Dearborn Street, Chicago, Illinois.

July 24, 1931.

Met pursuant to adjournment taken at Pittsburgh, Pennsylvania, on July 22, 1931.

Before—WILLIAM C. REEVES, *Examiner*.

APPEARANCES:

E. H. HAYCRAFT, Attorney for the Federal Trade Commission. 3020

GROSS, HYDE & WILLIAMS, by WALLACE W. BROWN, 49 Pearl Street, Hartford, Conn. For the Respondents, Arrow-Hart & Hegeman, Inc., and The Arrow-Hart & Hegeman Electric Company.

PROCEEDINGS.

Examiner Reeves: We will proceed in the matter of No. 1498, pursuant to an adjournment taken in Pittsburgh, on July 22, 1931. 3021

Mr. Haycraft: I will call Mr. P. W. Greene.

3022 *P. W. Greene—Direct.*

P. W. GREENE was thereupon called as a witness, and having been first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. HAYCRAFT:

Q. State your full name and your occupation? A. P. W. Greene, Middle States Electric Company; president and treasurer.

Q. Where do you live? A. Winnetka, Illinois.

Q. How long have you been president of the Middle States Electric Company? A. Since 1920.

3023 Q. What is the nature of the business conducted? A. Wholesale electrical supplies.

Q. Do you handle electric wiring devices? A. Yes, sir.

Q. What brands? A. Bryant.

Examiner Reeves: I didn't hear that.

BY MR. HAYCRAFT:

Q. What brand? A. Bryant, Hubbell, Pass & Seymour, Arrow, Hart-Hegeman.

Q. How long have you handled the Arrow brand?

3024 A. About six years.

Q. How long have you handled the Hart-Hegeman? A. Approximately three years.

Q. When you began to handle the Arrow brand, from whom did you purchase it? A. The Arrow Electric Company.

Mr. Brown: I am sorry, I didn't hear the question.

(Question read.)

Mr. Brown: The answer is what?

(Answer read.)

BY MR. HAYCRAFT:

Q. Located where? A. Well, we bought them from their agent, their agency, which is located above our store, 560 West Monroe Street.

Q. They had a warehouse there? A. Yes, sir.

Q. Who was in charge of their branch? A. Mr. Wildauer.

Q. Do you know his initials? A. No, I don't.

Q. From whom did you purchase Hart & Hegeman items? A. From their branch here, I don't know where it was located.

Q. Who was in charge? A. That I don't know. 3026

Q. Do you recall what salesmen called on you? A. No, sir.

Q. From whom are you buying Arrow items today? A. The Arrow division.

Q. The Arrow division of what firm? A. The Arrow-Hart & Hegeman Electric Company, I think.

Q. Where is it now located? A. On Jackson Boulevard.

Q. Do you know the number; 701 Jackson Boulevard? A. 701 Jackson Boulevard.

Q. Who is in charge of that division at the present time? A. Mr. Wildauer.

Q. From whom do you purchase your Hart & 3027
Hegeman items at the present time? A. The Hart & Hegeman division of the Hart-Hegeman and Arrow.

Q. Where is it located? A. 701.

Q. The same address? A. The same address.

Mr. Brown: If your Honor please, at this time I urge the same objections I made in Pittsburgh, to this jobber's testimony. I believe that it is on the same character that the government

3028 *P. W. Greene—Direct.*

took on its direct examination, directed to the same identical points; and my reasons for objecting are those stated at the Pittsburgh hearing, it is just a matter of inconvenience and expense of this rebuttal.

Examiner Reeves: What is the contention of counsel for the Commission as to whether this is rebuttal?

Mr. Haycraft: The same contention that I made in Pittsburgh, it is rebutting the testimony of the defense.

3029 Examiner Reeves: The objection will be overruled.

Mr. Brown: May I have an exception?

Examiner Reeves: Yes.

Mr. Brown: May that objection and exception stand for all this general line of testimony?

Examiner Reeves: It will be so ordered in the record.

Mr. Brown: Thank you.

BY MR. HAYCRAFT:

3030 Q. What method or procedure do you follow at the present time in ordering Arrow or Hart & Hegeman articles from the local office? A. Well, the purchasing department calls either the Arrow Company or the Hart & Hegeman Company, depending on what they want to order.

Q. Do you know how they call those places, that is, whether it is the same 'phone number? A. No, I don't.

Q. Do you know whether or not they have a common office or warehouse located in Chicago? A. No.

Q. Does your firm operate salesmen, traveling salesmen, out of your office? A. Yes, sir.

Q. How many? A. Six.

Q. What samples do they—do they carry samples of wiring devices? A. Occasionally they do; yes, sir.

Q. What samples do they carry? A. Whatever we happen to want to push at the time. Anything new that comes in, we usually give the salesmen a sample of it and let him take it out and show it to the customers.

Q. What lines do you push as a general proposition? 3032 A. You mean in wiring devices?

Q. In wiring devices; yes, sir. A. Ordinarily we push the Bryant.

Q. Well, between the Arrow and the Hart & Hegeman line; which line would you push? A. Well, if Arrow came out with something new, with a new item, we give the salesmen a sample of that.

Q. Do they have traveling salesmen who act as missionary men in securing orders from your customers? A. I believe they do.

Q. How much is that business carried on? A. Occasionally we receive an order from one of our customers which might have been given to the Arrow salesman, or again to the Arrow Company, and 3033 it is turned over to us, and we ship it and bill it.

Q. How do you place an order for it and how is the order filled? A. Well, if it is a single item, it is filled from stock; if it happens to be a pick-up, it goes through the regular procedure of the purchasing department.

Q. The regular procedure of the purchasing department would be what? A. If it would be an Arrow item, they would call up the Arrow; if it was Hart & Hegeman, they would call up Hart & Hegeman.

Q. Would delivery be made by the manufacturer? A. Our trucks would pick up the article.

Q. And they make the delivery? A. Yes, sir.

Q. Are orders ever given to the salesmen of either these two divisions? A. Not that I know of; they might be. Ordinarily we order by 'phone.

Q. Are you acquainted with Mr. Wildauer? A. Yes, sir.

Q. Did he at one time represent the Arrow Company? A. I believe so.

Q. And then the Arrow division. What is his
3035 status now; in what capacity does he call on you at the present time? A. Will you repeat that?

Q. In what capacity does he call on you at the present time? A. He usually calls on me just as a friend at the present time. I can't recall any business calls that he has made lately.

Q. Do you know what his official position is with the organization? A. Why, I understand he is manager of the Arrow-Hart & Hegeman Company in Chicago.

Q. Do you know how long the both divisions have had their office and warehouse at 701 Jackson Boulevard? A. I think since either February or March of this year.

3036 Q. And since that time has your firm had occation to place an order for one brand and have it filled with another? A. I don't know.

Q. Place an order for Arrow, for instance, and have it filled with Hart & Hegeman? A. That I couldn't tell.

Q. Who in your organization would be able to answer? A. Mr. Stanley.

Q. Is it possible to have Mr. Stanley come over here within the next half hour? A. Not very well.

3037

Q. That is, upon your return to the office? A. Well, it might be possible; it would be quite inconvenient.

Mr. Haycraft: I think that is all from this witness.

CROSS EXAMINATION BY MR. BROWN:

Q. Mr. Greene, it is true, is it not, that H. & H. salesmen and Arrow salesmen solicit business from you regularly, each for their own company? A. I 3038
believe they do; yes, sir. They call on us.

Mr. Brown: That is all.

REDIRECT EXAMINATION BY MR. HAYCRAFT:

Q. When you say they call on you; do you mean by that that they come in and ask you to give them an order for certain items, or what do you mean by your answer? A. Maybe I had better explain. As I told you; all our business is practically transacted over the telephone; and salesmen from the manufacturers come into our place more or less 3039
as missionary men. I can't recall any of them, of our regular suppliers, asking for an order. They come in to keep up the contact. We have the Arrow men come in to see us; and the Hart & Hegeman men come in to see us.

Q. Do you have your own salesmen pushing those goods? A. Yes, sir.

Mr. Haycraft: That is all.

3040 *P. W. Greene—Recross.*
P. W. Greene—Redirect.

RECROSS EXAMINATION BY MR. BROWN:

Q. Mr. Greene, the reason a salesman comes in, whether he is the H. & H. salesman, the Arrow salesman, the Bryant salesman, or the P. & S. salesman, is to convince you that you should handle his particular line, is that not so? A. I realize that; yes.

Q. That salesman is not particularly concerned whether you place that order with him or whether you 'phone it in to his home office? A. No, sir.

3041 Q. When you say the H. & H. salesman and the Arrow salesman have been soliciting business from you, or trying to induce you to carry their particular lines; that has been true for years, has it not? A. Ever since we have had the line; yes, sir.

Q. That is just as true today as ever? A. Yes, sir.

Mr. Brown: That is all.

REDIRECT EXAMINATION BY MR. HAYCRAFT:

Q. Has it been true, Mr. Greene, during the
3042 years, that these two salesmen worked for the same man? A. During the years?

Q. Yes, how long has that been true? A. You mean, since the divisions have gone together?

Q. Yes. A. Yes, the same men have worked together.

Q. I say; have those two salesmen always worked for one sales-manager in Chicago? A. Have they?

Q. Yes. A. No, not that I know of.

Q. How long has it been true that the Arrow salesman and the Hart & Hegeman salesman have

worked for the same division manager in Chicago? A. Since February.

Q. To your knowledge? A. Yes, sir.

Q. Before that time you don't know whether they worked under Mr. Lubeck? A. I assume the H. & H. salesman worked there.

Q. The Arrow salesman worked for Mr. Wildauer? A. Yes, sir.

Q. In other words, prior to last February the Arrow Company's man was responsible to Mr. Wildauer, and the Hart & Hegeman salesman was responsible to Mr. Lubeck? A. I presume so; yes, sir. 3044

Q. And since February they have worked under the supervision of Mr. Wildauer? A. Yes, sir.

Mr. Haycraft: That is all.

Mr. Brown: That is all.

(Witness excused.)

CHARLES GEORGE YUNDT was thereupon called as a witness, and having been first duly sworn, testified as follows:

BY MR. HAYCRAFT: 3045

Q. State your full name? A. Charles George Yundt.

Q. Your address; where do you live? A. 1146 South Cuyler Avenue. Oak Park, Illinois, that is.

Q. Your occupation? A. Vice President and sales manager.

Q. Of what firm? A. Kubec Electric Company.

Q. Where is it located? A. 628 West Monroe Street.

Q. How long have you occupied that position, Mr. Yundt? A. Well, I don't know exactly, but I would say I have been vice president about five years.

Q. What products does your firm handle? A. Electrical supplies.

Q. Does that include electric wiring devices? A. Yes, sir.

Q. And what brands of electric wiring devices do you handle? A. Hart & Hegeman, Hubbell, Arrow, Pass & Seymour, Cutler-Hammer.

3047 Q. Do you stock all those brands? A. No, sir.

Q. What brands do you carry in stock? A. We attempt to carry in stock Hart & Hegeman and Cutler-Hammer.

Q. How long have you been buying Hart & Hegeman? A. Since January, 1925.

Q. And from whom did you purchase them at that time? A. I would like to have that question—to me personally?

Q. No, no. Where did you buy them, here in Chicago? A. We bought them through Chicago, the Chicago office.

Q. Of the Hart & Hegeman Electric Company, the manufacturer? A. Hart & Hegeman? I don't
3048 know; there is two names; one is "electric" and the other is "manufacturing" company; but it is the Chicago branch that we purchased from.

Q. Who was in charge at that time? A. Mr. Lubeck.

Q. Where was that branch located? A. 625 West Monroe Street, right across the street from our company.

Q. How long did you continue buying from Mr. Lubeck at that address? A. Until he was transferred to Detroit, which was back about the early part of March, if I recall right.

Q. Of this year? A. Yes, sir; of this year.

Q. And at the time that he was transferred, was it still the Hart & Hegeman Manufacturing Company, or had there been a change in its organization? A. Well, we always bought direct from Hart & Hegeman up to that time.

Q. Then after that, what did you do? A. Well, I can't answer that except in this way: that we have our buyer—whenever I called the Hart & Hegeman I asked the telephone operator to get a certain party. If I wanted somebody over at the Arrow Electric Company, I asked for that certain party at the Arrow Electric Company. 3050

Q. How long have you bought Arrow products? A. Since July, 1927.

Q. Where were they located at that time? A. I believe they were located on Monroe street.

Q. Did they have a warehouse? A. They had a warehouse, yes.

Q. And did they make deliveries from that warehouse, or did you get the goods yourself? A. What little we purchased from them, we picked up ourselves.

Q. About how long did you buy—who was in charge of that branch of the Arrow Company? A. Mr. Wildauer. 3051

Q. How long did you continue to buy from him at that address? A. Well, we bought from them until they consolidated their warehouse, in the early part of this year.

Q. And where did they consolidate; where are they now? A. Over at 701 West Jackson Boulevard.

Q. And how are your orders placed as a general thing? Do you place them with the salesmen or do you telephone them in? A. Most of the time over

the telephone; and they were confirmed by confirming letter.

Q. That you sent through the mail? A. That we mailed; yes, sir.

Q. Who is in charge of the consolidated office and warehouse of the two branches at the present time? A. I understand Mr. Wildauer is manager of this territory.

Q. Had he called on you since that consolidation has taken place? A. He was in to see me here a couple of months ago, since they moved; yes, sir.

3053 Q. Do they employ missionary salesmen to solicit business from your customers, orders from your customers, for you? A. I can answer that this way: they have been soliciting orders from our customers and brought them in and we filled the orders with Arrow merchandise or Hart & Hegeman merchandise, depending upon whether it was the missionary man of one or the other.

Q. And would they always fill orders out of stock? I suppose you filled them out of stock when you could, but what would you do when you didn't have them in stock? A. I would say this: on Hart & Hegeman the chances are they would be filled out of stock; and on the Arrow practically always they

3054 would be picked up.

Q. Because you didn't carry them in stock? A. Because we don't carry the Arrow line.

Q. Do you have traveling salesmen? A. Yes, sir.

Q. What electrical wiring devices out of these lines do they push; what do they push in their calls on the trade? A. Hart & Hegeman and Cutler-Hammer are the only ones that we have pushed.

Q. Do they carry samples and catalogues of those two? A. Yes, sir.

Q. But you don't carry samples or catalogues of the Arrow? A. No, sir.

Q. Do you know whether or not these two divisions, the Arrow and the Hart & Hegeman divisions, have separate offices at that address, or do you know anything about their office arrangement? A. I haven't been over there, but I understand that they are all together on the second floor of the building over there.

Q. Do you know anything about their telephone number? A. I happened to check up here just this morning and found the telephone number was the same at the present time, but formerly, before they consolidated their warehouses, I know they were different numbers. 3056

Q. You know they were different numbers before that; that is, before March of this year? A. Yes.

Mr. Haycraft: I think that is all.

Examiner Reeves: Cross examine.

CROSS EXAMINATION BY MR. BROWN:

Q. Mr. Yundt, do both Arrow salesmen and H. & H. salesmen call on you regularly now? A. Yes, sir.

Q. Each soliciting for his own division? A. Yes, sir. 3057

Q. Has the Arrow salesman and the H. & H. salesman solicited your business in that fashion for years? A. Well, they both solicited it, I would say, pretty near from the start that they sold us.

Q. And there has been no abatement in the vigor of the solicitation by either division, has there? A. No, they have been continuing to call on me as in the past.

Mr. Brown: That is all.

REDIRECT EXAMINATION BY MR. HAYCRAFT:

Q. Why didn't you stock the Arrow line if their salesman has been calling on you all this time? A. Well, we felt that from an economic standpoint that it was not good policy to carry duplicate lines of merchandise in our stock.

Q. In other words, the Arrow and the Hart & Hegeman are the same? A. Well, they had a good many items that were practically the same material.

3059 Q. In other words, the only Arrow business that you handle is what orders come to you from their missionary man? A. Yes, sir; and whatever orders our customers may have requested from time to time, and insisted on Arrow merchandise.

Mr. Haycraft: That is all.

RECROSS EXAMINATION BY MR. BROWN:

Q. Mr. Yundt, it is also true, isn't it, that Bryant has a very similar line to Arrow or H. & H.? A. Yes, sir.

Q. The same thing is true of the General Electric? A. Yes, sir.

3060 Q. And Weber? A. Yes, sir.

Q. And Hubbell? A. Yes, sir.

Q. The reason you don't stock Hubbell or Bryant or G. E. is for the same reason that you don't stock Arrow; is that so? A. I would say with this exception; I don't believe that General Electric would sell us at the present time, or Bryant.

Q. But so far as Hubbell or Weber or Pass & Seymour are concerned, that would be true? A. That would be true; yes, sir.

Mr. Brown: That is all.

Charles George Yundt—Redirect. 3061
Charles George Yundt—Recross.
Charles George Yundt—Redirect.

REDIRECT EXAMINATION BY MR. HAYCRAFT:

Q. Are the Hubbell or Pass & Seymour items made in the Hart & Hegeman factory? A. I couldn't answer that.

Q. Isn't there, as a matter of fact, a difference in the quality of the material? A. In which?

Q. In the Hubbell and Pass & Seymour, and the Hart & Hegeman? A. I would say there is.

Q. Isn't Hart & Hegeman superior? A. I have 3062
always felt in my own mind that they were superior.

Q. Isn't that another reason for pushing the Hart & Hegeman line and not the other? A. Well, the other good reason, I would say, it was the first high class line of wiring devices that the Kubec Electric Company handled.

Mr. Haycraft: That is all.

RECROSS EXAMINATION BY MR. BROWN:

Q. You still consider the H. & H. line the superior of all of the lines, don't you, Mr. Yundt? A. 3063
From our salesman's standpoint, we do.

Mr. Brown: That is all.

REDIRECT EXAMINATION BY MR. HAYCRAFT:

Q. Is there any difference in the quality between the Arrow and the H. & H. at present? A. At present I imagine that they are about the same.

Q. There is no difference—you know they are the same, so far as quality is concerned, don't you? A.

3064 *Charles George Yundt—Redirect.*

I think I have seen some samples marked Arrow and Hart & Hegeman, that is about all I know. I saw that just recently.

Q. In other words, carrying both names? A. I have always felt this way; that the Hart & Hegeman switch was far superior to the Arrow switch.

Q. And was that true in the old days? A. I don't know, how it is today, but it always was that way, to my way of thinking.

Q. Do you sell any Arrow switches at the present time? A. No, sir; except where the customer in-
3065 sists on Arrow switches on their orders.

Q. What items have you seen with the Arrow and the Hart & Hegeman trade marks both stamped on them? A. I just happened to call to mind some new articles that they gave us some samples of here about three weeks ago. It was a heater plug, or a heater core. There may have been other items, but I don't just remember them; probably new receptacles, convenience outlets.

Q. Do your salesmen carry those samples around with them in an endeavor to push them? A. Yes, just lately I believe one of our men carried them around, because just before I went on my vacation
3066 I asked one of our men to carry those samples around to see if he could get any orders for that material.

Q. You don't know whether he got any orders or not? A. I couldn't answer that.

Q. Have you any idea how you would place an order for that material if you succeeded in placing a sale? A. Mr. Wick, our buyer, would call Hart & Hegeman, whom he has been doing business with, I presume.

Mr. Haycraft: That is all.

RECROSS EXAMINATION BY MR. BROWN:

Q. You only know, Mr. Yundt, of one such article which you have seen with the joint name? A. Well, that is all that I can recall.

Q. And you think that was an attachment plug? A. Heater plug, a heater plug switch, as I recall it. There might have been others, but I didn't see them.

Q. You don't know? A. I am not sure, I couldn't testify and say yes or no.

Q. No, Mr. Yundt, when it comes to the matter of quality, isn't it broadly true that as a matter 3068
of fact, not perhaps opinion in the trade, but as a matter of fact, from your knowledge of the jobbers, isn't it broadly true that the quality of H. & H. and Bryant and Pass & Seymour and Hubbell and General Electric are about on a par? A. They are considered that way among the trade.

Q. Now, in speaking of the superiority of the H. & H. line, your stocking of that line is pretty largely dependent upon your own customers who demand that line; isn't that true? A. Well, we worked up a trade which I believe the customers know, and that is our leading line, Hart & Hegeman.

Q. And your customers in the field, not so familiar with all lines as you are, still regard H. & H. 3069
as the superior line? A. I would say the largest percentage of our customers.

Q. Do so regard it? A. Regard Hart & Hegeman as the better line to purchase.

Q. That would naturally influence your decision to carry and push H. & H.? A. Yes, sir.

Mr. Brown: That is all.
Mr. Haycraft: That is all.
(Witness excused.)

3070 *Joseph Fink—Direct.*

JOSEPH FINK was thereupon called as a witness, and having been first duly sworn, testified as follows:

DIRECT EXAMINATION BY MR. HAYCRAFT:

Q. State your full name? A. Joseph Fink.

Q. Your residence? A. 2417 Lunt Avenue.

Q. Chicago? A. Chicago.

Q. Your occupation? A. President, Effengee Electric Supply Company.

3071 Q. Where does it have its place of business? A. 12 North Jefferson Street, Chicago.

Q. In what business is it engaged? A. Wholesale jobbers of electrical supplies and lighting fixtures.

Q. Included in that are electric wiring devices? A. Yes, sir.

Q. How long have you handled that line? A. I didn't get that question.

Q. How long have you been in business? A. Twelve years.

Q. What line of wiring devices do you handle? A. Arrow, Hart & Hegeman, Hubbell, Bryant. We also furnish G. E. on request, Cutler-Hammer on request and P. & S. on request.

3072 Q. What lines do you stock? A. Arrow, and a little of Hart & Hegeman, and Hubbell and a little of Bryant.

Q. Do you travel salesmen yourself? A. Yes, sir.

Q. What do they push? A. They push Arrow.

Q. And carry samples? A. Of certain items.

Q. What particular items? A. Well, mostly on their brass goods—I call them brass goods.

Q. How long have you purchased Arrow? A. About eight or nine years.

Q. And from whom did you first purchase it? A. Arrow Electric.

Q. Did they have a branch here? A. Yes, sir.

Q. And warehouse? A. Yes, sir.

Q. And who was in charge of that? A. Mr. Wildauer.

Q. How did you place your orders in those days? A. Mainly by 'phone.

Q. How long have you been handling Hart & Hegeman goods? A. I would say about five or six years.

Q. From whom did you purchase them? A. From 3074
Hart & Hegeman.

Q. Did they have a branch in Chicago? A. Yes, sir.

Q. During the past year has there been a merger of those two organizations, so far as you know? A. There has been, according to a letter sent out to the trade.

Q. Do you remember when that was? A. That is, there was a letter sent out. I received a letter; I really couldn't say when. I think it is about a year, though.

Q. About a year ago. What do you recall was the change which was made at that time? A. Mere- 3075
ly a merger between Arrow and Hart & Hegeman.

Q. What were the changes in Chicago pursuant to that, to your knowledge? A. I understand they moved under one roof.

Q. At 701 Jackson Boulevard? A. That is where they are located, I understand.

Q. Who is in charge there, to your knowledge? A. To the best of my knowledge Mr. Wildauer is in charge.

Q. How do you place orders at the present time for Arrow products? A. I don't place the orders,

3076 *Joseph Fink—Direct.*

but I understand that they are placed, when they want Arrow merchandise, that there is a certain party in the Arrow division called; and when they want Hart & Hegeman merchandise, there is a certain party in that division called.

Q. And how are deliveries made; do you go and get the goods, or do they deliver them at your place? A. Well, sometimes we pick them up; sometimes they are delivered; mostly delivered.

Q. Do they deliver them to your place of business? A. Yes, sir.

3077 Q. And they are then delivered from there by you to the buyer? A. Yes, sir.

Q. Have you ever had occasion to place an order for both products at the same time? A. I say, I don't place the orders.

Q. You don't recall; you don't know then? A. No, I don't know.

Q. How long have they been under one roof? A. How long have I?

Q. No, how long have they been under this one roof that you speak of? A. To the best of my knowledge, about six months.

Q. Did you know Mr. Wildauer before he was put in charge of both divisions? A. Yes, sir.

3078

Q. What business was he in charge of then? A. Arrow Electric.

Q. Who was in charge of the Hart & Hegeman before the consolidation? A. To the best of my knowledge, Mr. Lubeck.

Q. They have missionary salesmen who solicit your business? A. Do they?

Q. Yes. A. Yes, sir; they do.

Q. What procedure do they follow? That is, do they get business for you? A. Well, they just merely call on the trade, show their items and get their

friends to place orders, to go through whichever jobber or dealer he asks them to put it through.

Q. Is that the business of the Arrow that you handle, or do your salesmen get some Arrow business also? A. Oh, no; we get some Arrow business also.

Q. Your salesmen do not carry Arrow samples? A. Only just when a new item comes out.

Q. You heard the testimony of Mr. Yundt about the new items; could you give any experience along that line? A. I haven't paid any attention to it.

Q. You haven't seen any items which bore the trade marks of both? A. I don't know of seeing any. 3080

Q. Do you have furnished you by these various divisions sample cards, which contain samples of new material as they come out? A. Yes, sir.

Q. How are these cards printed; that is, what names are printed on them? A. I can't really answer that; I haven't paid much attention to it.

Q. You don't know about the new items that come out, how they are advertised? A. No, sir; I don't.

Mr. Haycraft: I think that is all.

CROSS EXAMINATION BY MR. BROWN: 3081

Q. Mr. Fink, H. & H. salesmen have been soliciting your business for years, have they not? A. They have; yes, sir.

Q. And the same thing is true of the Arrow salesmen? A. Yes, sir.

Q. And it is true today also? A. It is.

Q. The salesman for Arrow and the salesman for H. & H. solicit your business just as vigorously as they ever did? A. That is right.

Mr. Brown: I think that is all.

3082 *Joseph Fink—Redirect.*

REDIRECT EXAMINATION BY MR. HAYCRAFT:

Q. When you say solicit your business vigorously, what do you mean? A. I would say they have a salesman in regularly; either weekly or every second week. I don't get to see them all the time, because I am out quite a bit.

Q. Does he come in to take orders? A. If he is handed an order, he won't refuse it, but most buying is done over the telephone. All lines of wiring devices are pretty well established, and the jobbers
3083 —I imagine that most of the jobbers buy their material over the 'phone.

Q. What is the occasion of the salesmen calling, to bring in orders they have obtained? A. No.

Q. What do they do when they call? A. I imagine the same as any other salesmen, looking for business, keeping the good will of the company, keeping the friendship of the jobber.

Q. Who are the salesmen who call on you from them? A. Mr. Earhardt for the Arrow—I happen to remember the name; I didn't when I spoke before; and Mr. Leonard for the Hart & Hegeman.

Q. How long have they been representing these
3084 various divisions? A. Well, Mr. Leonard, to the best of my memory, has been with them about four years, maybe longer, maybe not that long, I don't remember——I mean Mr. Earhardt. Mr. Leonard, I only remember for about a year.

Q. They are now both working out of the same office? A. To the best of my knowledge.

Q. Since about last March? A. Yes.

Q. Before that time they worked out of separate offices? A. I understand they did.

Q. How does it happen that you don't stock the Arrow line? A. We do stock it; we stock both lines.

Q. You stock both lines? A. Yes, sir.

Q. I misunderstood you. What do you stock? A. We stock the faster moving items.

Q. Do you stock Hart & Hegeman items? A. Yes, we stock Hart & Hegeman items; we stock the faster moving items of Hart & Hegeman and we stock the slower moving items of Arrow and Hubbell.

Q. Your Arrow line is your principal line? A. The Arrow line and the Hubbell line are our principal lines.

3086

Mr. Haycraft: I think that is all.

Mr. Brown: May I ask another question?

Examiner Reeves: Yes.

RECROSS EXAMINATION BY MR. BROWN:

Q. Mr. Fink, in placing orders over the telephone for various merchandise, would you do that with respect to Hubbell goods or Bryant or Pass & Seymour or Weber? A. Yes, sir.

Q. You would do the same any way? A. Yes, sir.

Q. And the salesmen of Pass & Seymour and Hubbell and Bryant and Weber all solicit in about the same way? A. Yes, sir. 3087

Q. As Arrow solicits? A. Yes, sir.

Q. Or as H. & H. solicits? A. Yes, sir.

Mr. Brown: That is all.

(Witness excused.)

Mr. Haycraft: Gentlemen, that concludes the taking of testimony at this point, concludes the rebuttal for the Commission.

Mr. Brown: Your Honor, during the testimony of Mr. Yundt there was something said about a common brand. Mr. Cook, speaking

3088 off the record, explained to Mr. Haycraft that situation, and Mr. Haycraft said that Mr. Cook might clear up that situation, and has consented to have Mr. Cook take the stand and do that.

Examiner Reeves: Let the record show that Mr. John R. Cook, who was sworn and gave testimony at a previous session, is recalled by counsel for further examination.

3089 JOHN R. COOK was thereupon recalled as a witness, and having been previously sworn, testified as follows:

DIRECT EXAMINATION BY MR. BROWN:

Q. Mr. Cook, you heard Mr. Yundt's testimony with respect to a common brand, and it has been agreed that you clear up that situation for the record. Will you do that, please? A. Yes, Mr. Yundt testified that on the heater plugs, what we term an appliance line, which we have recently brought out, that the trade mark was the same,
3090 He undoubtedly was mistaken in this, because I have in front of me a sample of these heater plugs with the markings as they go out today; one being marked "Arrow" and the other being marked "H. & H.", to distinguish the brands.

BY MR. HAYCRAFT:

Q. The same item but different brands? A. The same item but different brands.

3091

Mr. Haycraft: Do you want to put them in as exhibits?

Mr. Brown: Well—

A. You may want to put them in your exhibits; I don't know whether we do or not. You can look at them and see the trade marks right there.

Mr. Brown: I don't believe, with that statement, that the exhibits are necessary, do you?

Mr. Haycraft: Not unless you want them in.

Mr. Brown: Mr. Yundt was probably confused by the fact that the articles were identical in appearance.

3092

The Witness: He probably was because the Arrow salesman and the Hart & Hegeman salesman solicited him on the device.

Mr. Brown: That is all.

CROSS EXAMINATION BY MR. HAYCRAFT:

Q. The two items mentioned in the previous testimony, there being some items that bore a common brand; what are those two items? A. A motor starting switch and the attachment.

3093

Examiner Reeves: Off the record—

(Discussion had out of the record.)

Mr. Brown: If your Honor please, Mr. Haycraft, as I understand, has already rested his case. Is that true, Mr. Haycraft?

Mr. Haycraft: Yes.

Mr. Brown: The respondent is prepared to rest its case. The main doubt about that is the matter of procedure. We understand we have the right to draw up our tentative findings, to submit to you.

3094 Examiner Reeves: Yes.

Mr. Brown: You know, Mr. Gross is in Europe, and will not be back until after Labor Day. Now, the rules, I think, call for a submission of the findings within ten days.

Examiner Reeves: Within ten days.

Mr. Brown: We would not be prepared to submit that finding within ten days because naturally Mr. Gross would want to pass on it. I would not want to take that responsibility. If that could be held, say, until September 15th or 20th, to submit that draft of finding; if that can be done under the rule—

3095 Mr. Haycraft: You talk to the Examiner; that is agreeable to me.

Examiner Reeves: Off the record—

(Discussion had off the record.)

Examiner Reeves: The taking of testimony is ordered closed. Upon the receipt of the stenographic report the Examiner will proceed with the preparation of his report upon the facts, pursuant to Rule 12 of the Rules of Practice and Procedure of the Commission. Copies of the report of the Examiner will be served upon counsel for the Commission and counsel for the respondent. The requirements

3096 of the Rules of Practice and Procedure of the Commision concerning the filing of suggestions and brief will be stated in the letter of transmittal accompanying the copies of the report of the Examiner, which will be served upon respective counsel.

Due to the size of the transcript of the testimony, and the large volume of documentary evidence, and the apparent complications of the issues, the Examiner on his own motion respectfully requests counsel for the Commission and counsel for the respondent each fur-

nish for the use of the Examiner a statement 3097
in writing on or before September 21, 1931, setting forth their respective contentions as to the facts proven, as authorized by the provision of said Rule 12.

Mr. Brown: Off the record—

(Discussion had out of the record.)

Mr. Haycraft: I can say for the record, so far as I am concerned, I shall comply with that request.

Mr. Brown: Also for the record, that I also will comply with that request.

Examiner Reeves: So far as I know, that is all.

Whereupon at 11:45 a. m., Friday, July 24, 3098
1931, the hearing in the above entitled matter was closed.

3099

[File endorsement omitted.]

IN UNITED STATES CIRCUIT COURT OF APPEALS, SECOND CIRCUIT

THE ARROW-HART & HEGEMAN ELECTRIC COMPANY,
Petitioner,

v.

FEDERAL TRADE COMMISSION, Respondent

Petition to Review and Set Aside an Order of the Federal Trade Commission

PETITION TO REVIEW AND SET ASIDE ORDER—Filed Sept. 29, 1932

To the Honorable Judges of the United States Circuit Court of Appeals for the Second Circuit:

Comes now The Arrow-Hart & Hegeman Electric Company, petitioner herein, and prays that this Court review and set aside a certain order heretofore entered against it by the Federal Trade Commission, and it respectfully represents and shows to the Court the following:

1. That it now is, and ever since December 31, 1928, has been, a corporation organized and existing under and by virtue of the laws of the State of Connecticut, having its principal office and place of business in the Town and County of Hartford in said State, and being engaged in the business of manufacturing and selling electrical wiring devices.

2. That on or about October 10, 1927, there was incorporated under the laws of said State of Connecticut a corporation known as Arrow-Hart & Hegeman, Inc., which corporation was located in said Town of Hartford.

3. That said Arrow-Hart & Hegeman, Inc., immediately following its said incorporation, acquired all of the common capital stocks of The Arrow Electric Company and The Hart & Hegeman Manufacturing Company, two Connecticut corporations located in said town of Hartford,

each being engaged in the business of manufacturing and selling electrical wiring devices.

4. That thereafter, on or about March 3, 1928, the Federal Trade Commission, respondent herein, issued a complaint against said Arrow-Hart & Hegeman, Inc., alleging that it had violated Section 7 of an Act of Congress, approved October 15, 1914, entitled "An Act to Supplement Existing Laws Against Unlawful Restraints and Monopolies and for Other Purposes," generally known as the "Clayton Act," in that the effect of the said acquisition of the stock of The Arrow Electric Company and The Hart and Hegeman Manufacturing Company by said Arrow-Hart & Hegeman, Inc., might be to lessen competition between said two companies, restrain commerce and tend to create a monopoly in the electrical wiring device industry.

5. That thereafter, on April 3, 1928, said Arrow-Hart & Hegeman, Inc. appeared before the Board of Review of said respondent, the Federal Trade Commission, and requested a dismissal of said complaint against it, which request on July 10, 1928, was denied.

6. That thereafter, on September 7, 1928, said Arrow-Hart & Hegeman, Inc. filed its answer to said complaint in which it denied all allegations to the effect that it had violated the said Clayton Act and in which it made, by way of further defense, certain affirmative allegations, among others that the acquisition of said common stocks by it neither had injured, nor would injure, the public, but, on the contrary, that such acquisition had been and would continue to be beneficial to the public, also that the purpose of the acquisition was not to lessen competition between the said two manufacturing companies but was solely to effectuate manufacturing economies, also, that the holding form of company, rather than a merger, had been specifically chosen with the express purpose and intent of maintaining the competition between the two operating companies as the best means of preserving the large proprietary values attaching to their respective brands; and that the effect and result of such acquisition accomplished that purpose.

7. That thereafter said Arrow-Hart & Hegeman, Inc., in order to meet the criticism of the respondent and thus to

terminate the pending litigation, but nevertheless without prejudice to its rights, believing it had not violated the Clayton Act as charged, distributed its assets, which consisted of said acquired common stocks, and voted to dissolve, its last corporate act being on December 10, 1928, when it filed a preliminary certificate of dissolution with the Secretary of the State of Connecticut and advertised notice thereof as required by law.

8. That thereafter, on December 31, 1928, your petitioner herein, The Arrow-Hart & Hegeman Electric Company, was formed by a merger, under the laws of the State of Connecticut, of said The Arrow Electric Company, said The Hart & Hegeman Manufacturing Company and two other Connecticut corporations located in said Hartford, namely, The Arrow Manufacturing Company and The H & H Electric Company, these latter two companies having been formed to acquire the common stocks of the other two companies solely to avoid possible heavy Federal taxation to its stockholders through liquidation of said Arrow-Hart & Hegeman, Inc.

9. That thereafter, on January 11, 1929, counsel notified the respondent that Arrow-Hart & Hegeman, Inc. had distributed its assets and had voted to dissolve; also that the merger hereinabove described had been effected.

10. That thereafter no objection was made nor was action of any kind taken, by the respondent until June 29, 1929, when it issued a supplemental complaint naming Arrow-Hart & Hegeman, Inc. and The Arrow-Hart & Hegeman Electric Company as joint respondents, this complaint alleging in substance that Section 7 of the said Clayton Act had been violated in the way hereinabove described by both companies; that the dissolution of Arrow-Hart & Hegeman, Inc. was of no force and effect in depriving the Commission of jurisdiction over it and also that the formation of The Arrow-Hart & Hegeman Electric Company was of no force and effect in depriving the Commission of its jurisdiction over the claimed violation of the Clayton Act.

11. That thereafter, on October 11, 1929, your petitioner, The Arrow-Hart & Hegeman Electric Company, appearing specially for the purpose, filed a motion with the Commission asking a dismissal of the original and supplemental

complaints upon the grounds that Arrow-Hart & Hegeman, Inc. had divested itself of the common stock of The Arrow Electric Company and The Hart & Hegeman Manufacturing Company, the holding of which was the subject of the Commission's original complaint; that said corporation was dissolved and out of existence, the final certificate of dissolution having been filed with, and approved by, the Secretary of the State of Connecticut on April 11, 1929, after any claimants against it, under the provisions of the law, had had full opportunity to press their claims; that for a period of some twenty-five days, namely from December 6, 1928, being the date upon which said divestment of stocks took place, until December 31, 1928, the date of the formation of The Arrow-Hart & Hegeman Electric Company, the said The Arrow Electric Company and The Hart & Hegeman Manufacturing Company were entirely independent of one another; that Arrow-Hart & Hegeman, Inc. did not use the common stocks of said The Arrow Electric Company and The Hart & Hegeman Manufacturing Company to effect the formation of The Arrow-Hart & Hegeman Electric Company; that said The Arrow-Hart & Hegeman Electric Company was not in law or in fact the legal successor of Arrow-Hart & Hegeman, Inc. and had never in any way violated any of the provisions of the said Clayton Act.

12. That thereafter, on said October 11, 1929, your petitioner in order fully to protect itself, but reserving at all times its right to object to the jurisdiction of the respondent over it, filed an answer to said supplemetnal complaint in which it adopted by reference the said answer to the original complaint, denied all allegations to the effect that either it or Arrow-Hart & Hegeman, Inc. had violated the provisions of said Section 7 of the Clayton Act, and by way of further defense, set up affirmatively the steps taken by said Arrow-Hart & Hegeman, Inc. in distributing its assets and dissolving, the steps taken to incorporate the said The Arrow Manufacturing Company and The H & H Electric Company, and the steps taken to incorporate your said petitioner, and also in which said answer it alleged that the purpose of the affiliation and later consolidation had not been to stamp out or lessen competition but had been to effect manufacturing economies, preserve the good will

attaching to the several brands, improve quality of product and lower prices the better to meet the strong competition in the industry, and that further prosecution by the Commission, instead of being an aid to competition, would only be a blow to the electrical wiring device industry as a whole and would work an injury to the consuming public and to the financial interests of many innocent stockholders.

13. That after the filing on said October 11, 1929, of the said motion to dismiss and the said answer (the motion to dismiss being summarily denied on December 15, 1930, without prejudice, however, to the raising of the questions involved at the final hearing) the respondent, the Federal Trade Commission, took no steps whatever to prosecute its action until May 25, 1931, when it commenced the taking of testimony and other evidence in the said Town of Hartford before its Trial Examiner, the Honorable William C. Reeves, appointed for that purpose by the said Commission.

14. That thereafter on June 17, 1931, at the conclusion of the Commission's case in chief, your petitioner made an oral motion largely in the nature of a motion for a non suit, specifying fully the grounds therefor, as will appear from the transcript of record hereafter to be filed by said Commission, but the said Trial Examiner refused to entertain said motion upon the ground that he lacked power or authority to do so, reserving it, however, for action by the said Commission at the final hearing.

15. That thereafter further testimony and other evidence was adduced and received before the said Trial Examiner in behalf of both your petitioner and the Commission, and on July 24, 1931, counsel for both of said parties formally rested.

16. That thereafter, on or about September 19, 1931, your petitioner, pursuant to the request of the said Trial Examiner directed both to its counsel and to counsel for the Commission, filed its written Contentions as to the Facts with him; counsel for the said Commission, however, filed none.

17. That thereafter, on September 28, 1931, the said Trial Examiner filed his Report upon the Facts with the Commission, a copy of which was served upon your petitioner.

18. That thereafter, on or about October 9, 1931, your petitioner, pursuant to the Commission's rules, filed with said Commission extended exceptions to the said Trial Examiner's Report upon the Facts; counsel for the Commission filed none.

19. That on March 21, 1932, a hearing was had and on July 6, 1932, the respondent filed its Findings as to the Facts and Conclusions and entered its order, which order, with the dissenting opinion, reads as follows:

"UNITED STATES OF AMERICA:

BEFORE FEDERAL TRADE COMMISSION

At a Regular Session of the Federal Trade Commission Held at its Office in the City of Washington, D. C., on the 6th Day of July, A. D. 1932

Commissioners:

William E. Humphrey, Chairman; Charles H. March, Edgar A. McCulloch, Garland S. Ferguson, Jr., C. W. Hunt.

"Docket 1498

"In the Matter of ARROW-HART & HEGEMAN, INCORPORATED, and THE ARROW-HART & HEGEMAN ELECTRIC CO.

"Order to Divest

"This proceeding having been heard by the Federal Trade Commission upon the complaint and supplemental complaint of the Commission, the answers of respondents, the testimony, briefs and oral argument, and the Commission having made its findings as to the facts and its conclusion that said respondents have violated the provisions of an Act of Congress approved October 15, 1914, entitled 'An Act to Supplement Existing Laws Against Unlawful Restraints and Monopolies, and for Other Purposes' (the Clayton Act):

"Now therefore, it is ordered, that the said respondent, The Arrow-Hart & Hegeman Electric Company, forthwith cease and desist from violation of the provisions of Section 7 of an Act of Congress approved October 15, 1914,

entitled 'An Act to Supplement Existing Laws Against Unlawful Restraints and Monopolies, and for Other Purposes,' and within ninety (90) days from the date of the service upon it of a copy of this order, divest itself absolutely, in good faith, of all common stock of the Hart & Hegeman Manufacturing Company acquired by it as a result of the merger of the said Hart & Hegeman Manufacturing Company and Arrow Electric Company, The Arrow Manufacturing Company, and The H & H Electric Company on or about December 31, 1928, so as to include in such divestment the said Hart & Hegeman Manufacturing Company's manufacturing plants and equipment and all other property necessary to the conduct and operation thereof as a complete going concern and so as neither directly nor indirectly to retain any of the fruits of the acquisition of common stock of the said Hart & Hegeman Manufacturing Company; or within ninety (90) days from the date of the service upon it of a copy of this order divest itself absolutely, in good faith, of all the common stock of the said Arrow Electric Company acquired by it as a result of the merger of the said Hart & Hegeman Manufacturing Company, Arrow Electric Company, The Arrow Manufacturing Company, and The H & H Electric Company on or about December 31, 1928, so as to include in such divestment the said Arrow Electric Company's manufacturing plants and all other property necessary to the conduct and operation thereof as a complete going concern, and so as neither directly nor indirectly, to retain any of the fruits of the acquisition of the common stock of the said Arrow Electric Company.

"It is hereby further ordered that the said new respondent, The Arrow-Hart & Hegeman Electric Company, shall within ninety (90) days from the date of service upon it of a copy of this order, divest itself absolutely, in good faith, of the said Hart & Hegeman's Manufacturing plants and equipment and all other property necessary to the conduct and operation thereof as a complete going concern; or within ninety (90) days from the date of the service upon it of a copy of this order, divest itself absolutely, in good faith, of the said Arrow Electric Company's manufacturing plants and equipment and all other property necessary to the conduct and operation thereof as a complete going concern.

"And it is further ordered that such divestment of the common stock or assets of the said Arrow Electric Company or Hart & Hegeman Manufacturing Company, as the case may be, shall not be made directly nor indirectly to the said The Arrow-Hart & Hegeman Electric Company or to any stockholder, officer, director, employee or agent of, or any one otherwise directly or indirectly connected with or under the control of the said The Arrow-Hart & Hegeman Electric Company.

"And it is hereby further ordered that the respondent The Arrow-Hart & Hegeman Electric Company, within four months from the day of the date of the service upon it of this order, file with the Commission a report in writing, setting forth in detail the manner and form in which it has conformed to this order.

"By the Commission, Commissioner Humphrey dissenting in memorandum attached.

(Signed) Otis B. Johnson, Secretary. (Seal.)"

"Docket No. 1498

"In the Matter of ARROW-HART HEGEMAN, INC.

"July 2, 1932.

"Dissent of Chairman HUMPHREY:

"There is no injury to the public shown in the alleged transfer of stock in this case. There is no evidence to show any injury, except the mere blotting out of whatever competition there existed between the two corporations.

"It seems the majority of the commission has consistently held in all these Section 7 cases, that the mere acquisition of stock of one corporation by a competing corporation is in itself a violation of the statute, regardless of the effect of such acquisition on the public.

"Paragraph II of the order directs that the respondent divest itself absolutely of all the common stock that it acquired as a result of the merger, so as to include in such divestment manufacturing plants and all other property necessary to conduct and operate a complete, going concern.

"Did the respondent acquire stock 'by merger'? If so, what was the value of such stock? What does it now repre-

sent? If the respondent divests itself of such stock, what is the effect of such divestment?

"It appears so plain that none will dispute it, that even granted that the respondent did acquire stock by this merger, it is utterly valueless, and to compel the respondent to divest itself of such stock would be an idle gesture.

"I do not think that the Commission ought to spend its time and money in so futile a performance.

"The third paragraph of the order directs the respondent absolutely to transfer assets, without in any way directing the transfer of the stock. I do not believe that the Courts will ever hold that the Commission has the power to make an order of the character stated either in the first or second paragraph.

"The Section 7 cases have always been regarded by the Commission as especially reprehensible. The acquisition of stock has been the one unpardonable sin.

"From the beginning, the Commission has had employes assigned the duty of reading the papers to see if there were any violations of Section 7 of the Clayton Act. No such method has been followed in regard to any other class of cases. These employes immediately report any item that appears in the press involving stock acquisition. Then, on the merest ex parte showing, without any preliminary hearing as in other cases, complaint is issued and served upon the respondent. The supposed justification for such action was that the respondent might acquire the assets and oust our jurisdiction. Even if true, it did not in any way relieve the respondent from being prosecuted by the Department of Justice if the law had been violated. The anxiety of the Commission to exercise its jurisdiction in these cases, in view of its 'successes' is hard to understand.

"The record shows that we have had about 800 preliminary inquiries and investigations of Section 7 cases. Complaints have been issued in 59 cases, 41 of these cases were afterwards dismissed by the Commission. Order of divesture was issued in 9 cases. One of these was sustained by the Circuit Court, but it is the almost universal opinion of the bar of the country that if this case could have been reviewed by the Supreme Court of the United States it would have been reversed. One order was sustained in part by the Supreme Court. All

the others have been reversed by the Supreme Court. This is the sum of what has been accomplished in over fifteen years of vigorous prosecution under Section 7 of the Clayton Act. Has the result justified the action of the Commission?

"It seems to me, in view of this record of accomplishment, that the Commission is not justified any longer in expending large sums of money in trying these cases—and, in refusing to follow the decision of the Supreme Court in the International Shoe Company case, when, speaking of the Clayton Act, they said,

'the act deals only with such acquisitions as probably will result in lessening competition to a substantial degree * * * that is to say, to such a degree as will injuriously affect the public'."

20. That your petitioner is aggrieved by the respondent's said Findings as to the Facts and Conclusion and the said Order based thereon because they are not warranted by the law or the evidence; and, more particularly, your said petitioner is aggrieved thereby in the following respects and for the following reasons:

First: The said Order was entered though the Commission's Findings do not show and no conclusion is reached that the interest of the public is in any way involved in or benefited by the prosecution, or that the said public has suffered any injury as a result of the acquisition by Arrow-Hart & Hegeman, Inc. of the common stocks of The Arrow Electric Company and The Hart & Hegeman Manufacturing Company or by the subsequent formation of your petitioner, The Arrow-Hart & Hegeman Electric Company, through merger; but, on the contrary, the Commission, in its said Findings, found that by reason of the affiliation and later merger, cost of production was decreased, that there were still other economies and increased development of experimentation, that there was no reduction in quality but there was reduction in selling price and improvement in quality, and that no monopoly exists but that your petitioner does only about twenty-five (25) per cent. of the total business of the country in your petitioner's lines of business, that there are many competitors, some of them very large and powerful, and that there is no lack of competition.

Second: There is no jurisdiction or authority vested in the Federal Trade Commission to make any order to cease and desist except where it is proven by the evidence that the probable result will be an injury to the public, and no such finding has been made in this case; and further it clearly appears from the Findings and from the dissenting opinion of the Chairman of the Commission that there is no injury to the public in this case, and that a majority of the Commission do not recognize that limitation upon the jurisdiction and powers of the Commission.

Third: The said Commission upon the facts proven erroneously concluded that commerce "has been, is or may be" restrained and that there has been any tendency towards monopoly in the electrical wiring device industry as a result of the acquisition by Arrow-Hart & Hegeman, Inc. of the common stocks of the two operating companies, i.e., The Arrow Electric Company and The Hart & Hegeman Manufacturing Company, or as a result of the later formation of your petitioner through merger, since:

(a) There is no evidence in the record to support this conclusion;

(b) There is positive and undisputed evidence in the record to show that from 1927 to 1929 the business of the two operating companies (the two divisions of your petitioner as to the last named year) declined from 24 + of the total business of the electrical wiring device industry to 18% + thereof, thus affirmatively showing a trend away from monopoly;

(c) The Trial Examiner in his report upon the Facts specifically found no restraint of commerce and no tendency to monopoly; and no exception to this finding was taken by the Commission as provided in Article XII of its Rules of Practice hereinafter quoted.

Fourth: The said commission erred in holding that your petitioner acquired all, or any part, of the capital stocks of The Arrow Electric Company and The Hart & Hegeman Manufacturing Company as a result of the said merger; and erred in holding that such acquisition fell within the purview of said Section 7 of the Clayton Act in view of the fact that your petitioner actually acquired the physical assets of the said two operating companies.

Fifth: The said Commission erred in holding that the holders of the preferred stocks of The Arrow Electric Company and The Hart & Hegeman Manufacturing Company had no voting power except in the event the preferred dividends were not paid for six successive quarters, and in not finding that the vote of the preferred stockholders was necessary to effectuate the merger.

Sixth: The said Commission erred in concluding that the said Arrow-Hart & Hegeman, Inc., organized or had the power to organize your petitioner, The Arrow-Hart & Hegeman Electric Company, or that said The Arrow-Hart & Hegeman Electric Company is the legal successor of said Arrow-Hart & Hegeman, Inc., in view of the fact that the merger resulting in the formation of said company could not possibly have been effected without the concurring vote of the holders of preferred stock of The Arrow Electric Company and The Hart & Hegeman Manufacturing Company, none of which stock was owned or controlled by said Arrow-Hart & Hegeman, Inc., the holders of said preferred stock holding a larger financial interest than did the holders of the common stock.

Seventh: The said Commission erred in holding that said Arrow-Hart & Hegeman, Inc., by distributing its assets and dissolving, as stated, did not fully cease and desist from the act, or acts, complained of by the Commission in its original complaint.

Eighth: The said Commission had no authority to continue, and erred in continuing, its prosecution after Arrow-Hart & Hegeman, Inc. had distributed its assets, and dissolved.

Ninth: The said Commission erred in denying your petitioner's motion, hereinbefore described, to dismiss the original and supplemental complaints.

Tenth: The said Commission erred in holding that it has jurisdiction over your petitioner under the terms of said Section 7 of the Clayton Act, or otherwise.

Eleventh: The said Commission erred in entering its said order, hereinbefore set forth at length, against your petitioner, and more particularly erred in directing your said petitioner to divest itself of the common stock (which it never owned) and physical properties of The Arrow

Electric Company or the common stock (which it never owned) and physical properties of The Hart & Hegeman Manufacturing Company.

Twelfth: The said the Commission erroneously concluded that Arrow-Hart & Hegeman, Inc. and your petitioner, The Arrow-Hart & Hegeman Electric Company, or either of them, had violated the provisions of said Section 7 of the Clayton Act.

Thirteenth: The said Commission erred in holding that the mere acquisition by Arrow-Hart & Hegeman, Inc. of the common stocks of The Arrow Electric Company and The Hart & Hegeman Manufacturing Company in itself constituted a violation of said Section 7 of the Clayton Act as charged.

Fourteenth: The said Commission erred in concluding that the effect of the acquisition of said common stocks by said Arrow-Hart & Hegeman, Inc. resulted in a lessening of competition between said The Arrow Electric Company and said The Hart & Hegeman Manufacturing Company, since:

(a) There is no fact set forth in said Findings and Conclusion which, in any degree, shows any lessening of competition between said two companies during the corporate existence of said Arrow-Hart & Hegeman, Inc.;

(b) There is no evidence in the record to support this holding;

(c) Said Commission ignores overwhelming evidence in the record to the effect that the purpose of said acquisition was to bring about manufacturing economies and engineering improvements, and was not in any way pointed at the competition existing between the two companies, except to preserve it, and also ignores overwhelming evidence, largely introduced by its own counsel, to the effect that during the corporate existence of said Arrow-Hart & Hegeman, Inc. the competition between the said two companies not only continued unabated as theretofore, but actually increased in intensity.

(d) The Trial Examiner in his report upon the facts specifically found that Arrow-Hart & Hegeman, Inc. did nothing to substantially lessen competition between the two

operating companies during its corporate existence, and no exception to this finding was taken by the Commission as required by its rule hereinafter set forth.

Fifteenth: The said Commission erred in holding that your petitioner dominates the electrical wiring device industry in view of its own findings and in not adopting the still more specific findings of the Trial Examiner's report as follows:

"The combined business of the two operating companies in 1927 was $7,953,766, and in 1929 $8,173,884. The total output of electric wiring devices for the entire United States, as shown by the United States Census Bulletins for the year 1927, was $32,703,331 and for the year 1929, $43,120,093. The respondent has two very powerful competitors with unlimited resources and nation-wide distribution of full lines of devices, namely, the General Electric Company and the Bryant Company, a subsidiary of the Westinghouse; also other powerful competitors not so well known as the General Electric and Westinghouse companies, but with nation-wide distribution of full lines, namely, the Hubbel Company, Pass & Seymour, Weber and Cutler & Hammer. In addition to these competitors who manufacture and sell full lines of devices, there are others who have limited lines but operate on a large scale in limited fields. Among these may be mentioned the Leviton Manufacturing Company which is the largest manufacturer of sockets in the United States and Alcor Manufacturing Company and the Beaver Company of New Jersey who are large manufacturers of candle sockets, and the Standard Manufacturing Company of Chicago, a large manufacturer of canopy switches. In March, 1929, there were approximately seventy-five firms in the United States which manufacture some, or all of the devices manufactured and sold by respondent,"

no exception to this finding having been taken by the Commission as provided by its rule below set forth.

Sixteenth: That in the absence of a finding that the acquisition by Arrow-Hart & Hegeman, Inc. of the common stocks of The Arrow Electric Company and of The Hart & Hegeman Manufacturing Company would probably result in lessening competition to such a degree as would injuriously affect the public, the order of the Federal Trade Com-

mission violates the Constitution of the United States, and particularly the Fifth Amendment thereto, and is null and void.

Seventeenth: The said Commission had no authority to inquire, and erred in inquiring, into the business and affairs of your petitioner and the events which have transpired since its formation on December 31, 1928.

Eighteenth: The said Commission erred in holding that, ever since the formation of your petitioner, there has been, or will likely be, any substantial lessening of competition between Arrow and Hart & Hegeman products, since the evidence in the record overwhelmingly establishes that, for the purposes of sales policies and efforts, your petitioner has, from the outset, been divided into two divisions, the "Arrow" and the "H & H"; that the former division sells exclusively the "Arrow" brand of goods and the latter sells exclusively the "H & H" brand of goods; that each division has its own salesman who compete with one another for business as fully and freely, and precisely in the same manner, as they did before the formation of your petitioner and before the formation of Arrow-Hart & Hegeman, Inc.

Nineteenth: The said Commission's Findings are inadequate, misleading and unsupported by the evidence; the Findings omit essential facts indisputably established by the evidence, and ignores and finds contrary to a substantial part of the Trial Examiner's Report which was favorable to your petitioner, notwithstanding the fact that no exceptions were taken to said Report by the said Commission as required by its rules.

Twentieth. The said Commission erred in finding against your petitioner facts not found by the Trial Examiner in his said Report on the Facts, since counsel for the Commission filed no exceptions to said Report, as required by Article XII of its Rules of Practice, which reads: "The Examiner shall, within 20 days after the receipt of the stenographic report of the testimony * * *, make his report on the facts, and shall forthwith serve copy of the same on the parties or their attorneys, who, within 10 days after the receipt of same, shall file in writing their exceptions, if any, and said exceptions shall specify the particular part or parts of the report to which exception is made, and said ex-

ceptions shall include any additional facts which either party may think proper."

Twenty-first. The said Commission, as the record and facts hereinabove recited disclose, has been guilty of most serious laches in conducting its prosecution, which laches have caused irremediable harm to your petitioner.

Wherefore, your petitioner prays this Honorable Court to review and set aside the said Order of the respondent, the Federal Trade Commission, and to grant such other relief as may be deemed just, lawful and proper.

Dated at Hartford, Connecticut, this 24th day of September, 1932.

The Arrow-Hart & Hegeman Electric Company, Petitioner, by John R. Cook, Its President. Charles. Neave, Arthur L. Shipman, Charles Welles Gross, Wallace W. Brown, Counsel for Petitioner.

Duly sworn to by John R. Cook. Jurat omitted in printing.

UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT, OCTOBER TERM, 1932

No. 183

THE ARROW-HART AND HEGEMAN ELECTRIC COMPANY, Petitioner,

v.

FEDERAL TRADE COMMISSION, Respondent

Motion to Amplify

NOTICE OF MOTION

SIR: Please take notice that on Monday, January 9, 1933, at 10:30 o'clock in the forenoon, or as soon thereafter as counsel may be heard, the annexed motion will be made before the United States Circuit Court of Appeals for the Second Circuit, at its Court Room in the Post Office Building, in New York City.

January 4, 1933.

Charles Neave, Counsel for Petitioner.

To: Counsel for Federal Trade Commission, 49 Broadway, New York, New York.

Copy of the above notice and motion received this 5th day of January, 1933.

Robt. E. Healey, Counsel for Federal Trade Commission.

Affidavit of Service

STATE OF NEW YORK,
County of New York, ss:

Charles H. Walker, being duly sworn, deposes and says: I am employed by Charles Neave, of Counsel for petitioner in the above matter and am of legal age.

On January 4, 1933 I sent to Robert E. Healy, Esq., Chief Counsel for the Federal Trade Commission in Washington, D. C., by mail, a copy of the annexed notice and motion.

Mr. Healy has acknowledged receipt of this notice and motion by letter dated January 5th, 1933.

On January 5th I served the annexed notice and motion upon the Respondent by exhibiting the originals and leaving copies thereof with Rolf H. Kielland, the Atforney in charge of Respondent's New York office. Mr. Kielland declined to sign the form of receipt at the foot of the notice.

Charles H. Walker.

Subscribed and sworn to before me this 6th day of January, 1933. Harold A. Patterson, Notary Public. New York County Clerk's No. 144. New York County Register's No. 4-P-209. Commission expires March 30, 1934. (Seal of Harold A. Patterson, Notary Public.)

UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT, OCTOBER TERM, 1932

No. 183

THE ARROW-HART AND HEGEMAN ELECTRIC COMPANY, Petitioner,

vs.

FEDERAL TRADE COMMISSION, Respondent

PETITIONER'S MOTION FOR AN ORDER DIRECTING THE RESPONDENT TO AMPLIFY THE RECORD

Comes now the petitioner, The Arrow-Hart and Hegeman Electric Company, and, for its motion herein, respectfully represents that:

1. Pursuant to Article XII of the Respondent's Rules of Practice the trial of fact in this proceeding was had before one of its trial examiners, namely, the Honorable William C. Reeves, who filed his Report upon the Facts on September 28, 1931, which, among other things, made these findings:

"• • • there is no substantial evidence that commerce was restrained in any sections or communities as

the result of such acquisition or that there was any tendency to create a monopoly. * * *"

"The combined business of the two operating companies in 1927 was $7,953,766, and in 1929 $8,173,884. The total output of electric wiring devices for the entire United States, as shown by the United States Census Bulletins for the year 1927, was $32,703,331 and for the year 1929, $43,120,093. The respondent has two very powerful competitors with unlimited resources and nation-wide distribution of full lines of devices, namely, the General Electric Company and the Bryant Company, a subsidiary of the Westinghouse; also other powerful competitors not so well known as the General Electric and Westinghouse companies, but with nation-wide distribution of full lines, namely, the Hubbel Company, Pass & Seymour, Weber and Cutler & Hammer. In addition to these competitors who manufacture and sell full lines of devices, there are others who have limited lines but operate on a large scale in limited fields. Among these may be mentioned the Leviton Manufacturing Company which is the largest manufacturer of sockets in the United States and Alcor Manufacturing Company and the Beaver Company of New Jersey who are large manufacturers of candle sockets, and the Standard Manufacturing Company of Chicago, a large manufacturer of canopy switches. In March, 1929, there were approximately seventy-five firms in the United States which manufacture some, or all of the devices manufactured and sold by respondent."

"After the organization of the old respondent and before the organization of the new respondent, the separate organizations of the two operating companies as they existed prior to October, 1927, remained intact and no action was taken by the old respondent to direct or control the sales policies of the operating companies, * * *"

2. That said Article XII of the Respondent's Rules of Practice, among other things, provides as follows:

"The Examiner shall, within 20 days after the receipt of the stenographic report of the testimony * * *, make his report on the facts, and shall forthwith serve copy of the same on the parties or their attorneys, who, within 10 days after the receipt of same, shall file in writing their

exceptions, if any, and said exceptions shall specify the particular part or parts of the report to which exception is made, and said exceptions shall include any additional facts which either party may think proper."

3. Proceeding under the foregoing rule, the Petitioner filed extensive Exceptions to the said Trial Examiner's Report upon the Facts; the Respondent, however, filed none.

4. Reasonably relying upon the Respondent's certifying to this Court a transcript of the entire record in this proceeding, as by law is required, the Petitioner stated in its Petition to Review and Set Aside the Order of the Respondent, now before the Court, that the Trial Examiner had made the findings of fact set forth above in Paragraph 1. (Petition, Paragraph 20, sub. pars. third (c), Fourteenth (d) and Fifteenth.)

5. The Respondent, however, did not certify to this Court as a part of the transcript of the record either the said Trial Examiner's Report upon the Facts or the Petitioner's Exceptions thereto, although said Report and Exceptions are properly a part of said transcript of record under section 11 of the Clayton Act, so-called, upon which Act this proceeding is based, also under Article XII of the Respondent's Rules above quoted and finally under paragraph 4 of Article 13 of the rules of this Court.

Wherefore the Petitioner respectfully moves that the Respondent be ordered to certify to this Court the said Trial Examiner's Report upon the Facts and the Petitioner's Exceptions thereto, to the end that the record in this case may be made complete and the allegations of the said Petition, above cited, sustained.

Charles Neave, Arthur L. Shipman, Charles Welles Gross, Wallace W. Brown, Counsel for the Petitioner.

Dated this 4th day of January, 1933.

UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT, OCTOBER TERM, 1932

No. 12,309

THE ARROW-HART AND HEGEMAN ELECTRIC COMPANY, Petitioner,

v.

FEDERAL TRADE COMMISSION, Respondent

Motion to Strike

NOTICE OF MOTION

SIR: Please take notice that on Monday, January 9, 1933, at 10:30 o'clock in the forenoon, or as soon thereafter as counsel may be heard, the annexed motion will be made before the United States Circuit Court of Appeals for the Second Circuit, at its Court Room in the Post Office Building, in New York City.

January 5, 1933.

Robt. E. Healy, Chief Counsel; Martin A. Morrison, Assistant Chief Counsel, and Everett F. Haycraft, Attorney for Respondent.

To Charles Neave, 20 Exchange Place, New York, New York.

Copy of the above notice and motion received this 6th day of January, 1933.

Charles Neave, Counsel for Petitioner.

UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT, OCTOBER TERM, 1932

No. 12309

THE ARROW-HART AND HEGEMAN ELECTRIC COMPANY, Petitioner,

v.

FEDERAL TRADE COMMISSION, Respondent

MOTION TO STRIKE CERTAIN MATTER FROM THE PETITION FOR REVIEW HEREIN

Comes now the respondent by its attorneys Robt. E. Healy, Chief Counsel, Martin A. Morrison, Assistant Chief

Counsel and Everett F. Haycraft, Special Attorney and respectfully moves this Honorable Court to enter an order striking from the petition herein Paragraph "C" of subparagraph Three of Paragraph 20 on page 14, Paragraph "D" of subparagraph Fourteen of Paragraph 20, page 16, and all of subparagraphs Fifteen, Nineteen and Twenty of Paragraph 20 on pages 17, 18 and 19 thereof consisting of references to and quotations from the Trial Examiner's report upon the facts for the reason that such matters have no relevancy to the present proceeding.

Robt. E. Healy, Chief Counsel; Martin A. Morrison, Assistant Chief Counsel, and Everett F. Haycraft, Attorney for Respondent.

[Endorsed:] In the United States Circuit Court of Appeals for the 2nd Circuit. The Arrow-Hart & Hegeman Electric Company, Petitioner, v. Federal Trade Commission, Respondent. No. 12309. Motion to strike certain matter from petition for review, with notice. Robt. E. Healy, Chief Counsel for Federal Trade Commission.

UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT, OCTOBER TERM, 1932

No. 183

Motion Argued January 9, 1933. Decided January 30, 1933

THE ARROW-HART & HEGEMAN ELECTRIC COMPANY,
Petitioner,

v.

FEDERAL TRADE COMMISSION, Respondent

Petition to Review Order of Federal Trade Commission

Before Manton, Augustus N. Hand, and CHASE, Circuit Judges

Motion by petitioner for an order directing the respondent to amplify the record. Motion by respondent to strike out part of record.

Charles Neave, of New York City, and Arthur L. Shipman, Charles Welles Gross, and Wallace W. Brown, all of Hartford, Conn., for petitioner.

Robert E. Healy, of Washington, D. C., Chief Counsel for Federal Trade Commission.

Per CURIAM:

The respondent moves for an order striking from the petition the paragraphs thereof consisting of reference to and quotations from the trial examiner's report upon the facts. The petitioner moves that the respondent be ordered to certify to the court the trial examiner's report upon the facts with the petitioner's exception thereto, alleging that this is necessary to complete the record. The respondent has not certified to this court as part of the transcript of the record the trial examiner's report upon the facts or the petitioner's exceptions thereto, claiming that it is not properly part of the transcript under section 11 of the Clayton Act (38 Stat. 734, 15 U. S. C. A. § 21).

Paragraphs 2 and 3 of Rule 21 of this court make reference to the filing of records by the Federal Trade Commission, and do not require the reports of the trial examiners or exceptions filed thereto to be printed. Nor does paragraph 4, Rule 13 of this court, so require. That section refers only to appeals and records from District Courts, and has no reference to certification of transcripts from the Federal Trade Commission. Such records are covered exclusively by Rule 21. The Commission's report referred to in the Clayton Act (38 Stat. 734) is its order, the testimony, and the pleadings. They are to be certified to this court when a review is sought by a petition for enforcement or a petition for review. But the statute contains no requirements that the trial examiner's report or the exceptions thereto be a part thereof. Such report seems to be prescribed by the rules of practice adopted by the Commission under the general statutory power. Federal Trade Commission Act, 38 Stat. 721, § 6 (g), 15 U. S. C. A. § 46 (g). These reports are for the assistance of the Commission, and are kept in the files of the Commission for reference. The review and the findings thereon, the statute provides, are for the Commission and not the trial examiners. The reports of the trial examiners are not binding upon one charged with violation of the act. Indeed, the act does not

require the Commission to employ examiners to proceed with hearings or to make reports; it authorizes the Commission to employ examiners among other officers. 38 Stat. 718, § 2, 15 U. S. C. A. § 42. The statute authorizes such examiners to administer oaths and affirmations, examine witnesses, and receive evidence. 38 Stat. 722, § 9, 15 U. S. C. A. § 49 (and notes) p. 283. This is not exclusive authority, but discretionary. We assume that the examiner's reports are used as of some assistance to the Commission, but the result or conclusions of the Commission, we must assume, are found in the findings adopted by it.

In the instant case, when the trial examiner's report on the facts was served upon counsel for the petitioner, it was accompanied by a letter signed by the trial examiner calling attention of counsel "to the fact that the enclosed report upon the facts represents only the views of the trial examiner and is not a decision of the Commission. The Commission's final action on the case will be had only after due consideration of the entire record, including exceptions, briefs and arguments."

It appears to have been the practice to omit such trial examiner's report from the records in proceedings before the Circuit Court of Appeals. See J. W. Kobi Co. v. Fed. Trade Comm. (October Term, 1926, C. C. A. 2)[1] where this court denied the petitioner's motion for an order requiring the Commission to certify to the court the report of the trial examiner and the exceptions thereto. See J. W. Kobi Co. v. Fed. Trade Comm. (C. C. A.) 23 F. (2d) 41. The First Circuit followed the practice in John Moir et al. v. Fed. Trade Comm. on October 14, 1925,[1] by striking out the trial examiner's report and the petitioner's exceptions. See John Moir et al. v. Fed. Trade Comm. (C. C. A.) 12 F. (2d) 22. The Seventh Circuit, on December 3, 1928, in Breakstone v. Fed. Trade Comm.,[1] for special reasons there assigned, declined to strike out the trial examiner's report and the exceptions thereto. In the instant case, the Commission's findings of fact make no reference directly or indirectly to the trial examiner's report. The Ninth Circuit, on March 7, 1932, granted a motion to strike out a requirement in an order that the Commission certify the report of the trial examiner, and held that the Commission should not

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[1]No opinion filed.

be required so to certify the report of the examiner unless the report and exceptions are referred to in the findings of the Commission and thereby adopted by it as its findings. Algoma Lumber Co. v. Fed. Trade Comm., 56 F. (2d) 774.

The motion of the respondent will be granted, and the motion of the petitioner denied.

UNITED STATES CIRCUIT COURT OF APPEALS, SECOND CIRCUIT

At a stated term of the United States Circuit Court of Appeals in and for the Second Circuit, held at the court-rooms, in the Post Office building in the city of New York, on the 6th day of February, one thousand nine hundred and thirty-three.

Present Hon. Martin T. Manton, Hon. Augustus N. Hand, Hon. Harrie B. Chase, Circuit Judges.

ARROW-HART AND HEGEMAN ELECTRIC COMPANY, Petitioner,

vs.

FEDERAL TRADE COMMISSION, Respondent

A motion having been made herein by counsel for the respondent for an order striking from the petition the paragraph thereof consisting of reference to and quotations from the trial examiner's report upon the facts,

Upon consideration thereof it is

Ordered that said motion be and hereby is granted.

Wm. Parkin, Clerk.

[Endorsed:] United States Circuit Court of Appeals, Second Circuit. Arrow-Hart and Hegeman Electric Co. vs. Federal Trade Commission. Order. United States Circuit Court of Appeals, Second Circuit. Filed Feb. 6, 1933. William Parkin, Clerk.

UNITED STATES CIRCUIT COURT OF APPEALS, SECOND CIRCUIT

At a stated term of the United States Circuit Court of Appeals in and for the Second Circuit, held at the court-

rooms, in the Post Office building in the city of New York, on the 6th day of February, one thousand nine hundred and thirty-three.

Present Hon. Martin T. Manton, Hon. Augustus N. Hand, Hon. Harrie B. Chase, Circuit Judges.

ARROW-HART AND HEGEMAN ELECTRIC COMPANY, Petitioner,

vs.

FEDERAL TRADE COMMISSION, Respondent

A motion having been made herein by counsel for the petitioner that the respondent be ordered to certify to this court the trial examiner's report upon the facts with the petitioner's exception thereto,

Upon consideration thereof it is

Ordered that said motion be and hereby is denied.

Wm. Parkin, Clerk.

[Endorsed:] United States Circuit Court of Appeals, Second Circuit. Arrow-Hart and Hegeman Electric Co. vs. Federal Trade Commission. Order. United States Circuit Court of Appeals, Second Circuit. Filed Feb. 6, 1933. William Parkin, Clerk.

UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT

ARROW-HART AND HEGEMAN ELECTRIC COMPANY, Petitioner,

against

FEDERAL TRADE COMMISSION, Respondent

Before Manton, Swan, and Augustus N. Hand, Circuit Judges

Petition to review an order of the Federal Trade Commission. An order was entered by the Commission against the Arrow-Hart & Hegeman Electric Co. to divest itself of the ownership of stock and a further direction to divest itself of plant and properties received through a merger

of competing companies. Petitioner appeals. Order affirmed.

Charles Neave, Esq., Arthur L. Shipman, Esq., Charles Welles Gross, Esq., Wallace W. Brown, Esq., Counsel for Petitioner.

Robt. E. Healy, Esq., Chief Counsel; Martin A. Morrison, Esq., Assistant Chief Counsel; Everett F. Haycraft, Esq., Attorneys for Respondent.

MANTON, Circuit Judge:

Respondent entered an order on a complaint filed under § 7 of the Clayton Act (15 U. S. C. A. § 18) directing the Arrow-Hart & Hegeman Electric Co. to divest itself of the common stock of Hart & Hegeman Mfg. Co. and Arrow Electric Co., two corporations engaged in the manufacture of electrical devices in competition in interstate commerce. Both manufacturing corporations had issues of preferred stocks which were not transferred and which were part of the corporations' obligations as hereinafter stated.

The Hart & Hegeman Manufacturing Company was incorporated in 1891, under the laws of Connecticut, having common and preferred stock. The Arrow Electric Company was organized under the Connecticut laws in 1903 and it had both common and preferred stock. Its preferred stock was non-voting except on six consecutive defaults of quarterly dividends. The common stocks of both corporations were closely held. Both corporations were engaged in the manufacture and sale of electrical wiring devices and were in direct and substantial competition. The respondent found that 59% of the Hart & Hegeman Mfg. Co.'s sales were in competition with the Arrow Electric Co. sales in 1927. The combined total sales of the two companies in 1927 was 24% of the total sales of the entire electrical wiring device industry.

Pursuant to an agreement of August 6, 1927, of the common stockowners of both manufacturing companies and as a part of the plan to join the companies the Hart & Hegeman Mfg. Co.'s old preferred stock and also a preferred issue of the H. T. Paiste Co., its subsidiary, were retired and a preferred non-voting stock and additional common stock were issued. Thereafter both Hart & Hegeman Mfg.

Co. and the Arrow Electric Co. had outstanding preferred stock. On October 6, 1927, Arrow-Hart-Hegeman, Inc. (the holding company) was organized under the Connecticut laws with an authorized capital stock of $2,000,000 of $10 par common stock. On October 10, 1927, Arrow-Hart Hegeman, Inc., acquired the 20,000 shares of Hart & Hegeman Mfg. Co. common voting stock in exchange for 80,000 shares of its stock, and acquired the 30,000 shares of the Arrow Electric Co. common voting stock in exchange for 120,000 shares of its common stock. It did not, however, acquire any of the two companies' preferred stock.

On March 3, 1928, the respondent issued its original complaint against Arrow-Hart & Hegeman Inc. charging violations of § 7 of the Clayton Act. On September 7, 1928 this holding company filed an answer and on November 10, 1928, its directors recommended dissolution and distribution of its assets, consisting of the Arrow Electric Co. and the Hart & Hegeman Mfg. Co. common stock to the shareholders. A notice to the stockholders recommending such dissolution enclosed a form of proxy and consent to the plan of dissolution and expressed the view that efficiency and economy would be promoted by "actual merger and consolidation of the two companies". The stockholders meeting was called for December 10, 1928. To avoid federal tax on liquidation all the shares of common stock of the Arrow Electric Co. then held by Arrow-Hart & Hegeman Inc. were transferred to Arrow Mfg. Co., a holding company for tax purposes, and in consideration therefor, the tax company issued all its capital stock to the stockholders of Arrow-Hart & Hegeman, Inc. All the shares of the common stock of the Hart & Hegeman Mfg. Co. then held by Arrow-Hart & Hegeman Inc. were transferred to H. & H. Electric Co., another tax company and in consideration of this transfer the tax company issued all its capital stock directly to the stockholders of Arrow-Hart & Hegeman Inc. These stockholders thus received the stock of the two tax companies. Arrow-Hart & Hegeman Inc. then had no assets and was dissolved. The four corporations, the two manufacturing and the two tax companies, agreed to merge or consolidate and did so on December 31, 1928 under the Connecticut laws, into the Arrow-Hart & Hegeman Electric Co., petitioner. The preferred stock of Arrow Electric Co. and Hart & Hegeman Mfg. Co. con-

stituted nearly 73% of their total par value capitalization and was in no way concerned with the organization or dissolution of Arrow-Hart & Hegeman Inc. or with the formation of the tax companies. The capitalization of the petitioner was $2,000,000 $10 par value common stock and $3,228,300 of $100 par value preferred stock; 18,950 shares of preferred stock were issued for the Arrow Electric Co. Preferred and 13,333 shares for Hart & Hegeman Mfg. Co. preferred; and 100,000 shares of common stock were issued for H. & H. Electric Co. common stock and 100,000 shares for Arrow Mfg. Co. common stock (then held by Arrow-Hart & Hegeman Inc. stockholders' representatives).

On January 1, 1929, the Board of Directors of the petitioner held its first meeting and on January 28 the stockholders held their first meeting. On June 29, 1929, the respondent issued a supplemental complaint naming the petitioner as a new respondent and alleging that the original respondent Arrow-Hart & Hegeman Inc. had formed petitioner by the consolidation of the manufacturing and tax companies. The respondent found that the acquisition of stock by Arrow-Hart & Hegeman Inc. and the petitioner's acquisition of the assets of the manufacturing companies may have the effect of lessening competition between them and may restrain commerce in the electrical wiring device industry and has the tendency to create a monopoly.

The respondent concluded that the acquisition of stock by Arrow-Hart & Hegeman Inc. and the voting of said stock which culminated in the organization of the petitioner, constituted a violation of § 7 of the Clayton Act. The second paragraph of § 7 reads:

"No corporation shall acquire, directly or indirectly, the whole or any part of the stock or other share capital of two or more corporations engaged in the commerce where the effect of such acquisition, or the use of such stock by the voting or granting of proxies or otherwise, may be to substantially lessen competition between such corporations, or any of them, whose stock or other share capital is so acquired, or to restrain such commerce in any section or community, or tend to create a monopoly of any line of commerce."

The order entered herein directs the petitioner to divest itself of stocks and assets of both manufacturing com-

panies. Section 7 of the Clayton Act upon which the prosecution is based, addresses itself to the stock acquisition only and § 11 of the Act gives the respondent power over a corporation violating the Act to issue an order requiring it to cease and desist from the violation by divesting itself of the common stock held.

Congress intended to prevent, by § 7, a corporate control which could be concentrated by prohibited acquisition of stock. Wrongful acquisition of the stock facilitates a merger or consolidation of assets. When ordered to divest itself of stock, the utmost good faith should be used by a corporation in order to remove as far as possible the corporate concentration of ownership caused by the wrongful acquisition of stock. One method of divestiture would be to restore the exact status existing before the wrongful acquisition by distributing the stock acquired to its owners before acquisition. It should be recognized that where shares of corporations which pass from one owner to another are being considered it would be difficult, if not impossible, to transfer the stock to the identical group of shareholders who held the stock prior to the formation of the holding corporation. The stock wrongfully acquired might be sold to third parties. The holding company might have distributed its assets, consisting of stock of the competing companies, to its own stockholders in such a manner that each stockholder would have shares of both competing companies. For example, Arrow, Hart & Hegeman Inc. in exchange for the surrender in dissolution of its 200,000 shares, might have distributed the 30,000 common shares of Arrow Electric Co. and the 20,000 common shares of Hart & Hegeman Mfg. Co. in a ratio of 3 Arrow and 2 Hart & Hegeman for 10 Arrow-Hart & Hegeman Inc. Corporate control would be removed but some measure of common ownership and common interest of a group of individuals in both competing companies would remain. That common ownership would be a result of the unlawful acquisition by the holding company and would facilitate a later merger or consolidation of the competing companies brought about by the individuals without any further intervention of the holding company.

But if the merger by transfer of assets is completed before the Federal Trade Commission filed its complaint, it

cannot be attacked under the Clayton Act. Thacher Mfg. Co. v. Fed. Trade Comm., 272 U. S. 554.

Whether, under the rule of Western Meat Co. v. Fed. Trade Comm. (272 U. S. 554) common ownership in individuals would be sufficient or, in addition, continued corporate control would be required to render the merger or consolidation objectionable and subject to action by the respondent, we need not decide because in the instant case both factors of common ownership and corporate control of even the details of the complete consolidation are present. The stock of the competing companies was retained in common ownership until the consolidation was completed.

And Arrow-Hart & Hegeman, Inc. did not distribute Arrow Electric Co. and Hart & Hegeman Mfg. Co. stock to its stockholders free from any plan of consolidation, but it did distribute the stock to the Arrow Mfg. Co. and H. & H. Electric Co. respectively, found by the respondent to have been established for tax purposes. Since that was their purpose, and since each tax company only held the stock of one manufacturing Company, the plan would seem to be no more objectionable than direct distribution of Arrow Electric Co. and Hart & Hegeman Mfg. Co. stock to the Arrow-Hart & Hegeman Inc. stockholders, if the tax companies' stock had been distributed to the Arrow-Hart & Hegeman Inc. stockholders directly. But the tax companies' stock was not distributed to the Arrow-Hart & Hegeman Inc. stockholders to merge or consolidate the four companies as they pleased free from control of Arrow-Hart & Hegeman Inc. The letter of November 10, 1928 from Arrow-Hart & Hegeman Inc. to its stockholders advised dissolution and distribution of stock of Arrow Electric Co. and Hart & Hegeman Mfg. Co. in kind to the stockholders. Proxies for that purpose were enclosed. The letter stated the belief that after distribution of the stock and liquidation of Arrow-Hart & Hegeman Inc. a consolidation would be proposed by the separate manufacturing companies and expressed a confidence that efficiency and economy would be prompted by consolidation.

After the tax companies were formed by Arrow-Hart & Hegeman Inc. on November 30, 1928, a supplemental letter was sent to the stockholders on December 1, 1928. This letter outlined the entire plan of reorganization including the final steps for formation of the petitioner by consolida-

tion and enclosed proxies authorizing six persons to act for the stockholders at a stockholders' meeting on December 6, 1928, to carry out the entire plan. The proxies authorized the named persons to receive the tax companies' stock and to exchange it for the stock of the consolidated company, the petitioner. By the exercise of these proxies the stockholders adopted the plan on December 6, 1928 and on the same day Arrow-Hart & Hegeman Inc. transferred the stock of the manufacturing companies to the tax companies. Thus the stockholders of Arrow-Hart & Hegeman Inc. were requested to and did accept the entire plan for formation of the petitioner before Arrow-Hart & Hegeman Inc. divested itself of the manufacturing companies' stock. On December 31, 1928 at stockholders' meetings of the tax and manufacturing companies, the common shareholders being represented by their proxies, the plan was carried out and the petitioner was formed. This supplemental letter of December 1, 1928 and the enclosed proxies not only proposed a plan but went further. By the letter and the use of the proxies, Arrow-Hart & Hegeman Inc. dictated and controlled the formation of the petitioner and therefore the petitioner comes under the jurisdiction and is subject to the order of the respondent. Fed. Trade Comm. v. Western Meat Co., 272 U. S. 554.

Divestiture of stock must be actual and complete and may not be effected by using the control resulting therefrom to secure title to the possessions of the competing companies' property. The purpose to be attained is to avoid the possibility of permitting consolidation or merger which substantially lessens competition in trade by the use of the stock held in merged ownership. United States v. New England Fish Exchange, 258 Fed. 732, 746. The control which Arrow-Hart & Hegeman Inc. was able to and did exercise by ownership of the common stock even though there was outstanding in preferred stock 72% of the par value of the manufacturing companies' total stock issued, is a clear example of unlawful stock control providing the effect has been to substantially lessen competition.

We think §11, requiring a divestiture of stock when §7 is breached, contemplates also a divestiture of the transfer of the assets which came about through the ownership and use of the stock unlawfully held by the holding com-

pany. The supplemental complaint filed June 29, 1929 could reach what was done by the formation of the petitioner and the transfer of assets to it. The powers of the respondent, confined as they are by the original and supplemental complaint to a violation of § 7, are sufficient to require not only divestiture of stock but also the divestiture of assets obtained through the means of stock ownership.

In 1927 the entire industry sold $32,703,331 of the kind of products produced by the manufacturing companies. The Arrow Electric Co. sales amounted to $3,849,000 and those of the Hart & Hegeman Mfg. Co. amounted to $4,537,000. In 1929 the sales of the entire electrical wiring device industry amounted to $43,120,095 of which the Arrow Electric Co. had $3,584,000 and the Hart & Hegeman Mfg. Co. $4,599,000. The total sales for 1928 were not proved, but the combined sales of both companies for 1927 were about 24% of the industry's total sales for that year. There is evidence to support the conclusion of the respondent that there was a tendency to restrain trade in the discontinuance of the competition between the two manufacturing companies.

Competition connotes more than mere rivalry between salesmen selling different brands of products of the same quality, at the same price, and manufactured by the same company. Sinclair Refining Co. v. Federal Trade Comm., 276 F. 686, 688 (C. C. A. 7). Competition is eliminated where two formerly competing units are brought under one dominating ownership. United States v. So. Pac. R. Co., 259 U. S. 214; United States v. Union Pacific R. R. Co., 226 U. S. 61.

As has been often announced, the purpose of the provisions of the Clayton Act is to reach unlawful agreements in their incipiency. Standard Fashion Co. v. Magrane Houston Co., 258 U. S. 346. In International Shoe Co. v. Federal Trade Comm. (280 U. S. 291), the Supreme Court required evidence of substantial competition in fact, in order that there may be established an effect upon the public interest and said:

"Obviously, such acquisition will not produce the forbidden result if there be no pre-existing substantial competition to be affected; for the public interest is not con-

cerned in the lessening of competition, which to begin with, is itself without real substance."

The converse is true and if there is real substance in the competition, the public interest is affected. In that case, only 5% of the commodities produced by each company were competitive, while in the instant case 59% by volume of sales of Hart & Hegeman Mfg. Co.'s products competed with Arrow Electric Co. products.

In Vivaudou Inc. v. Federal Trade Comm. (54 Fed. [2] 273), we found from the evidence that there was no tendency to create a monopoly or to restrain trade and that there was no substantial lessening of competition for the reason that there was a lack of competitive quantity and quality in the lines of articles produced by the three companies there involved. It appeared that two-thirds of one company's business consisted of talcum powder and a small volume of compacts, whereas the second company had a large sale of compacts and extracts and the third company's principal business was face creams.

But in the instant case, we think there was a substantial competition between the two companies acquired by the holding company through stock ownership with the result that there was a substantial lessening of competition in which the public was interested and petitioner violated § 7 of the Clayton Act.

Order affirmed.

Judge Swan dissenting on the ground that the commission's order exceeded its jurisdiction.

[Endorsed:] United States Circuit Court of Appeals, Second Circuit. Arrow-Hart & Hegeman Electric Company v. Federal Trade Commission. (Copy.) Opinion. Manton, Circuit Judge.

UNITED STATES CIRCUIT COURT OF APPEALS, SECOND CIRCUIT

At a stated term of the United States Circuit Court of Appeals in and for the Second Circuit, held at the court-rooms, in the Post Office building, in the city of New York, on the 5th day of June, one thousand nine hundred and twenty-three.

Present: Hon. Martin T. Manton, Hon. Thomas W. Swan, Hon. Augustus N. Hand, Circuit Judges.

ARROW-HART AND HEGEMAN ELECTRIC COMPANY, Petitioner,

vs.

FEDERAL TRADE COMMISSION, Respondent

Petition to Review an Order of the Federal Trade Commission

This cause came on to be heard on the transcript of record from the Federal Trade Commission, and was argued by counsel.

On consideration whereof, it is hereby ordered, adjudged and decreed that the order of said Federal Trade Commission be and it hereby is affirmed.

Wm. Parkin, Clerk.

[Endorsed:] United States Circuit Court of Appeals, Second Circuit. Arrow-Hart and Hegeman Electric Company vs. Federal Trade Commission. Order. United States Circuit Court of Appeals, Second Circuit. Filed Jun. 6, 1933. William Parkin, Clerk.

UNITED STATES OF AMERICA,
Southern District of New York:

I, William Parkin, Clerk of the United States Circuit Court of Appeals for the Second Circuit, do hereby certify that the foregoing pages, numbered from 1 to 1060, inclusive, in 2 volumes, contain a true and complete transcript of the record and proceedings had in said Court in the case of Arrow-Hart and Hegeman Electric Company, Petitioner, against Federal Trade Commission, Respondent, as the same remain of record and on file in my office.

In testimony whereof I have caused the seal of the said Court to be hereunto affixed, at the City of New York, in the Southern District of New York, in the Second Circuit, this 13th day of June, in the year of our Lord one thousand nine hundred and thirty-three, and of the Independence of the said United States the one hundred and fifty-seventh.

Wm. Parkin, Clerk. (Seal United States Circuit Court of Appeals, Second Circuit.)

SUPREME COURT OF THE UNITED STATES

ORDER ALLOWING CERTIORARI—Filed December 11, 1933

The petition herein for a writ of certiorari to the United States Circuit Court of Appeals for the Second Circuit is granted. And it is further ordered that the duly certified copy of the transcript of the proceedings below which accompanied the petition shall be treated as though filed in response to such writ.

Endorsed on cover: File No. 37,966. U. S. Circuit Court of Appeals, Second Circuit. Term No. 363. The Arrow-Hart & Hegeman Electric Company, petitioner, vs. Federal Trade Commission. Petition for writ of certiorari and exhibit thereto. Filed August 19, 1933. File No. 363, O. T. 1933.